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the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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IN SEARCH OF A NEW MONETARY ORDER

HANS F. SENNHOLZ

EVER SINCE President Nixon suspended gold payments, on August 15, 1971, the question of realistic par values of the world's currencies has become a vexing international political issue. Governments and central banks are searching for new rules that permit "more flexible" currency fluctuations. Something beyond dollars and gold is needed, they believe, to provide a solid base for a new monetary order. Return to the old system spawned at Bretton Woods, N. H., in 1944, is out of the question. It was a gold and dollar standard, with the U.S. dollar payable in gold at \$35 an ounce while other countries pegged their moneys to the dollar, holding them within a range of 1 per cent up or down

from the parity registered with the 118-country International Monetary Fund.

Now, since the suspension of gold payments, the world has been waiting for monetary authorities to find a new monetary system. The process must necessarily be slow, as a political solution is sought to economic problems that were generated by various political considerations. After all, the depreciation of the U.S. dollar, which finally led to the gold payment suspension, was a political act by the monetary authorities of several Federal administrations. The decision to "float" the dollar rather than face the humiliation of a formal devaluation was also a political act. Similarly, the other governments are motivated politically in their attempts at monetary management.

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While most "experts" make the government, its powers and objectives, their point of departure for monetary deliberation, a few scholars continue to base their inquiries on the fundamental principles that flow from individual choice and action. In their judgment, the factors that affect the exchange relations between various national currencies rest on the economic principles that determine the purchasing power of each and every type of medium of exchange, whether it is a precious metal or government fiat money.

As they see it, the purchasing power of any monetary unit depends on the relation between the demand for and the quantity of money in individual cash holdings. The demand for money is purely individual, although a great many extraneous factors may influence this demand. There is, for instance, the expectation of future changes in the exchange value of money. An expected fall tends to reduce the demand for money and thus its purchasing power; an expected rise brings about the opposite. Also, the availability of goods affects the demand for money. In an expanding economy when more and better goods are offered on the market, the demand for money tends to rise; in a declining economy, where capital is consumed and the division of labor breaks

down, the demand for money tends to decline.¹

The Stock of Money

The supply of money is the stock of money available for exchange. During the age of the gold standard it consisted of gold bullion, gold coins and their various substitutes, such as bank notes, tokens, and demand deposits. In this age of government currency, it consists of fiat money and its substitutes, such as tokens and demand deposits. The substitutes may either be fully backed by money proper or else they are fiduciary, i.e., uncovered. Thus, an expansion or contraction of fiduciary media directly affects the total quantity of money available for exchange.

A change in the money relation through changes in either the demand for money or the stock of money affects changes in the purchasing power of money. As one factor of demand or supply cannot perfectly offset changes in the other factors, money can never be neutral. Now, if there are two or more media of exchange, such as gold or silver, or various fiat currencies, what determines the exchange ratio between the various

¹ Ludwig von Mises, *The Theory of Money and Credit* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, Inc., 1971), p. 97 *et seq.*

media? Their purchasing powers! That is to say, exchange ratios correspond to the ratio of each one's purchasing power in terms of all other goods. Market forces tend to establish the parity between the purchasing powers and thus their exchange ratios. The equilibrium exchange rate is called the *purchasing power parity*.

Gold and Silver as Money

For more than 2,500 years the civilized world used gold and silver as money. These metals became valuable media of exchange because they were not only desirable for nonmonetary uses, but also suited so well for economic exchanges as they were durable, portable, and divisible. Silver was generally used for small transactions and gold in all larger exchanges. And throughout the ages their exchange ratios were determined by their purchasing power parities. If one ounce of gold bought a horse that also could be bought for 10 ounces of silver, the parity between gold and silver was 1:10. If for any reason the exchange rate differed from this parity, arbitrage would soon restore the exchange ratio to its purchasing power parity. If, in our example, the exchange ratio should be 11:1 and the purchasing power 10:1 it would be very profitable to exchange gold for

silver and then buy commodities. But such money exchanges would soon drive the ratio back to its parity.

In all countries where gold was the standard money, the exchange ratios between gold coins of different weight and fineness were determined simply by this difference. If one coin weighed one ounce and another coin of equal fineness only one-third of an ounce, the exchange ratio obviously was 1:3. Under the gold-coin standard, commonly called the orthodox or classical gold standard, gold coins were the standard money. National currencies represented a certain quantity of gold of a certain fineness. The U.S. dollar, for example, consisted of 25.8 grains of gold, nine-tenths fine, before the 1934 devaluation, and 15 5/21 grains thereafter, or in troy ounces 1/20.67 and 1/35 respectively. The U.S. \$20 gold coin (Double Eagle) contained 30.09312 grams of fine gold, the \$10 coin (Eagle) 15.04656 grams, and the \$5 coin (Half Eagle) 7.52328 grams. The British Sovereign contained 7.322 grams, the Mexican 50 Peso coin 37.5 grams, the French 20 Francs coin, also called Napoleón, 5.8 grams, and the Swiss 20 Francs coin 5.8 grams.² Exchange ratios

² Cf. Franz Pick, *Currency Yearbook* (New York: Pick Publishing Corp., 1970), pp. 13-15.

between the various currency units consisting of gold thus were determined by their relative measures of gold.

International Acceptability

The world had an international currency while on the classical gold standard. It evolved without international treaties, conventions or institutions. No one had to make the gold standard work as an international system. When the leading countries had adopted gold as their standard money the world had an international currency without problems of convertibility or even parity. The fact that the coins bore different names and had different weights hardly mattered. As long as they consisted of gold, the national stamp or brand did not negate their function as an international medium of exchange.

The purchasing power of gold tended to be the same the world over. Once it was mined, it rendered exchange services throughout the world market, moving back and forth and thereby equalizing its purchasing power except for the costs of transport. It is true, the composition of this purchasing power differed from place to place. A gram of gold would buy more labor in Mexico than in the U.S. But as long as some goods were traded, gold, like any other

economic good, would move to seek its highest purchasing power and thereby equalize its value throughout the world market. As all coins and bullion were traded in terms of weight of gold, there were no "exchange rates" such as those between gold and silver, or various fiat monies.

The Exchange-Rate Dilemma

The departure from the gold-coin standard, set the stage for the present exchange-rate dilemma. At first, governments began to restrict the actual circulation of gold. They gradually established the *gold-bullion standard* in which government or its central bank was managing the country's bullion supply. Gold coins were withdrawn from individual cash holdings and national currency was no longer redeemable in gold coins, but only in large, expensive gold bars. This standard then gave way to the *gold-exchange standard* in which the gold reserves were replaced by trusted foreign currency that was redeemable in gold bullion at a given rate. The world's monetary gold was held by a few central banks, such as the Bank of England and the Federal Reserve System, that served as the reserve banks of the world.³ But

³ Cf. Leland B. Yeager, *International Monetary Relations* (New York: Harper & Row, Publishers, 1966), p. 251 *et seq.*

after World War II, the Bank of England which was holding the gold reserves for more than 60 countries, commonly called the pound sterling area, gradually lost its eminent position. It began to hold most of its reserves in U.S. dollar claims to gold, which made the Federal Reserve System the ultimate reserve bank of the world; thus the gold-exchange standard became a *de facto gold and dollar standard*. Finally, during the accelerating inflation and credit expansion of the 1960's in the U.S., the dollar gradually fell from its respected position. Several monetary crises which triggered worldwide demands for dollar redemption greatly depleted the American stock of gold, and created precarious payment situations.

Altogether, in less than four years, we experienced seven currency crises that foretold the end of the international monetary system. In November, 1967, Great Britain devalued the pound and a number of other countries immediately followed suit. In March of 1968, under the pressure of massive pound sterling liquidation, the nine-nation gold pool was abandoned and the two-tier system adopted. The third crisis occurred in France in May, 1969, when political riots, followed by rapid currency expansion, greatly weakened the franc which was

later devalued. The fourth crisis erupted in September, 1969, when massive dollar conversions to West German marks forced the German central bank to "float" the mark and then revalue it upward by 9.3 per cent. The fifth crisis occurred in March and early April, 1971, when a new flight from the dollar threatened to inundate several European central banks. In a concerted effort, the U.S. Treasury and the Export-Import Bank endeavored to "sop up" the dollar flood. The sixth crisis began in May, 1971, when a new flow of dollars into German marks, Swiss francs, and several other currencies caused the mark to float anew, the Swiss franc to be revalued upward by 7.07 per cent, and several other currencies to be allowed to float or be revalued. The seventh and last crisis was of such massive proportions that President Nixon was forced to announce the collapse of the old monetary order.

Why the Breakdown of International Monetary Relations?

What had caused this gradual deterioration of international monetary relations? An understanding of the causes may provide an answer to the dilemma, prevent further deterioration, and hopefully find a cure to all its somber consequences.

The popular explanation usually

runs as follows: The rapid worsening of the U.S. international balance-of-payment deficit was the proverbial straw that broke the system's back. From a small surplus of \$2.7 billion in 1969, achieved mainly through various government manipulations that amounted to window dressing, the 1970 payments deficit soared to an all-time record deficit of some \$10.7 billion, on official settlement basis, i.e., official settlements between governments only. Then, in May, 1971, the U.S. Commerce Department announced that the first quarter 1971 deficit had grown to a record \$5.4 billion.⁴ And finally, private sources estimated that in 1971, up through mid-August, some \$22 billion more dollars flowed out of the country than came in.

These new payment deficits were added to the accumulated unpaid deficits of the U.S. for many years. U.S. dollars and short-term claims to dollars in foreign hands amounted to \$43 billion at the end of 1970. After deducting U.S. short-term claims on foreigners our *net* obligations exceeded \$32 billion, plus the current deficits mentioned above. And while the U.S. gold stock stood at \$11 billion, the lowest level since World War II, it became obvious that the U.S.

could not meet its foreign obligations in gold.⁵

Dr. Arthur F. Burns, Chairman of the Federal Reserve Board, probably reflected the official position of the U.S. government when, on May 20, 1971, he blamed foreign governments for the precarious situation. He urged them to release their restraints on imports and American investments, and to help us with our foreign military operating expenses. Raising our interest rates, he asserted, was not the right way to improve the ailing dollar. He advocated more U.S. borrowing from the Eurodollar market through Treasury certificates and, in order to become more competitive in world markets, an "incomes policy" that would restrain the cost-push momentum of American labor.⁶ Less than three months later President Nixon announced a 90-day price and wage freeze, to be followed by some government control thereafter, and a 10 per cent surtax on imports to stem the flood of cheap foreign goods.

"National Balance of Payment"

Academic theories basically concurred with Dr. Burns' explanation although some offered different solutions, such as a crawling

⁴ *Federal Reserve Bulletin*, Sept., 1971, p. A75.

⁵ *Ibid.*, p. 94.

⁶ *The Commercial and Financial Chronicle*, June 9, 1971, p. 16.

peg, a wider bank, flexible exchange rates, or the creation of new reserve assets, such as Special Drawing Rights by the International Monetary Fund.⁷ But no matter what solution they proffer, their point of departure is the collectivist concept of the "national" balance of payment. Without any reference to individual actions and balances, they build ambiguous structures that ignore the causes. Balance of payments of a country is that very small segment of the combined balances of millions of individuals, the segment that is

based on personal exchanges across national boundaries. As an individual may choose to increase or decrease his cash holdings, so may the millions of residents of a given country. But when they increase their holdings, that is called "favorable" in balance of payments terminology. And when they choose to reduce their cash holdings, that is called "unfavorable." The fact is that drains of gold are not mysterious forces that must be managed by wise governments, but are the result of deliberate choices by people eager to reduce their cash holdings.

⁷ Cf. William Fellner "On Limited Exchange Rate Flexibility," Chapter 5 of *Maintaining and Restoring Balance in International Payments*, Princeton University Press, 1966; George N. Halm, "The Bank Proposal: The Limit of Permissible Exchange Rate Variations," *Princeton Special Papers in International Economics*, No. 6; John H. Williamson: "The Crawling Peg," *Princeton Essays in International Finance*, No. 50; Francis Cassell, *International Adjustment and the Dollar*, 9th District Economic Information Series, Federal Reserve Bank of Minneapolis, June, 1970; Walter S. Salant, "International Reserves and Payments Adjustment," *Banca Nazionale del Lavoro, Quarterly Review*, Sept., 1969; Thomas D. Willet and Francesco Forte, "Interest Rate Policy and External Balance," *Quarterly Journal of Economics*, May, 1969; Friedrich A. Lutz, "Money Rates of Interest, Real Rates of Interest, and Capital Movements," Chapter 11 of *Maintaining and Restoring Balance in International Payments*, Princeton University Press, 1966; Milton Gilbert, "The Gold-Dollar System: Conditions of Equilibrium and the Price of Gold," *Princeton Essays in International Finance*, No. 70.

Wherever governments resort to inflation, people tend to reduce their cash holdings through purchases of goods and services. When domestic prices begin to rise while foreign prices continue to be stable or rise at lower rates, individuals like to buy more foreign goods at bargain prices. They ship some of their money abroad in exchange for cheaper foreign products or property. Thus, an outflow of foreign exchange and gold sets in. It is the inevitable result of a rate of domestic inflation that exceeds that of the rest of the world and sets into operation "Gresham's Law."

During the 1960's, the decade of the "Great Society," and again during 1970 and 1971, money and credit were created at unprece-

dented rates prompted by record-breaking government deficits. Private demand deposits, bank credit at commercial banks, and Federal Reserve credit, which is fueling the credit expansion, often rose at rates of 10 per cent or more a year. Therefore, in spite of countless promises and reassurances by the President and his advisers, the U.S. dollar suffered inevitable depreciation at home and abroad. And the August 15, 1971, default of payment was the result of this depreciation.

Blaming the Creditor

Refusal to make gold payments by the United States, the richest and most powerful country on earth, casts serious doubt on future monetary cooperation. The immediate prospect for worldwide monetary reform is not too bright. The U.S., as the defaulting debtor, is taking the position that it is up to the countries with huge surpluses in their international payments to adjust their currencies upward against the dollar. It is Washington's basic premise that the U.S. was unfairly treated in international commerce and that it is time for correction. Convinced of the indispensability of the U.S. dollar as a world reserve currency, the U.S. is defiantly waiting for the others to act.

Bad debtors, when called upon

to make payment, often make such charges against their creditors. It is shocking, however, that the U.S. government should prove to be such a poor debtor. Even its basic assumption, the indispensability of the dollar, no longer goes unchallenged. Sterling balances look more attractive today than dollar holdings. In fact, the holdings of deutsche marks by central banks and treasuries probably exceed \$3 billion. Foreign airlines and shippers have ceased to accept U.S. currency. And Eurodollar bonds are all but unsaleable in European capital markets, while mark, guilder, and Swiss franc securities remain in demand. The foreign position generally rejects the Washington charge of unfair treatment. If the U.S. had adopted appropriate domestic policies, foreign officials argue, it would not have accrued its huge international payments deficits. Therefore, they want the U.S. to share the burden of realignment. They are seeking a devaluation of the dollar along with realignment of their currencies. And above all, no one is suggesting that the U.S. dollar continue to serve as an international reserve currency.

After all, managed currencies are the products of political manipulations by parties and pressure groups, and all are destined to be destroyed gradually by weak ad-

ministrations yielding to popular pressures for government largess and economic redistribution. No such currency can serve for long as the international reserve currency to which all others can repair. The U.S. dollar is no exception.

In the chaotic conditions of late 1971, the world may still have the following options:

(1) It may continue on its present road of fiat money and inflation, government manipulation of exchange rates, trade restrictions, and exchange controls. The goal is "national autonomy" in monetary and fiscal policies, an essential objective for all forms of central economic planning. On this road we are bound to suffer not only more inflation and depreciation, but also a gradual disintegration of the world economy and its division of

labor. Our ultimate destination is a world-wide depression.

(2) Or the world may choose to turn off this road of self-destruction and seek stability in sound money. The very monetary authorities that have created the chaos and are now sitting in judgment over the international monetary order must relinquish their rights and powers over the people's money. This road leads to the various forms of gold standard, from the gold-exchange to the gold-bullion, and finally the gold-coin standard. For gold is the only international money the quantity of which is limited by high costs of mining and the value of which is independent of political aspirations and policies. Only the gold standard can afford monetary stability and peaceful international cooperation. 

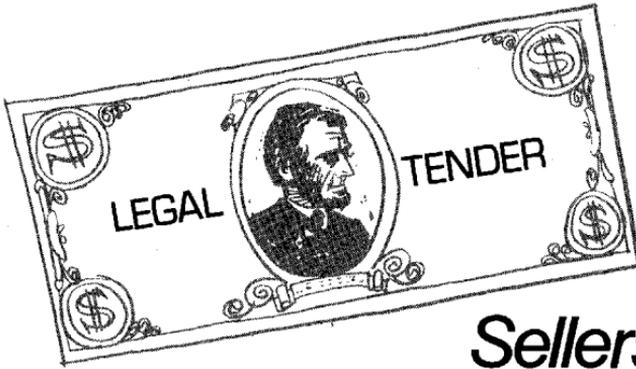
Freedom is the Answer

THERE IS NOTHING wrong with money that freedom will not cure. This is another way of saying that the Good Society which many reformers have sought by way of monetary reform cannot be achieved that way; if it is ever to be achieved, it will be done by freedom. So, then, the fight for sound money, to have meaning, must be related to the broader fight for freedom. It is only one of the several battles that must be fought.

IDEAS ON



LIBERTY



Sellers Beware

A PLEASANT premise underlying socialism is that everyone should be able and willing to pay prices high enough to cover costs. Then, no one ever would be obliged to work for less than "a living wage." Such is the foolish dream of persons who do not understand the process and the advantages of free trade.

True, one trades in order to gain something of greater value to him than what he gives up in exchange, and so does every other trader. Each strives to satisfy his wants with the least effort or expenditure; but the trader differs from socialists for he does not expect anyone else to give up something for nothing.

A second significant difference between a trader and a socialist

concerns their respective views about money. To a trader, money is that particular item of commerce so much more universally acceptable in trade than other scarce and valuable items that it serves as a useful medium of exchange. It opens up a far wider range of market opportunities than could possibly be reached through direct barter. It is useful as money because the overwhelming majority of traders are willing and anxious to accept it in payment for their wares.

An entirely different concept of money is implied in the language and philosophy of socialism. Those who speak of "a living wage" and of "prices high enough to cover costs" are not thinking about willing customers, or of a money that

arises naturally out of willing exchanges in the open market. What they seem to have in mind, instead, is a purchasing power to be created out of thin air — that ancient dream of alchemists and counterfeiters.

Counterfeiters Need "Legal Tender"

Now, it's easy enough to take a base metal and color it "gold," or to print a slip of paper and call it "money." The trick is to make others believe it. Counterfeiters and confidence men are indeed a nuisance to producers, traders, savers, especially to those who are willing to venture into shady deals. But with a bit of experience and wariness, an honest trader can readily spot such risks and direct his business toward men and money he trusts.

So, what is the poor counterfeiter to do? He will do his best to have his "money" declared *legal tender*, which means that the government would force creditors to accept it when offered in payment of any debt.

Any debt? Including taxes? The government that levies and collects taxes is expected to grant to someone a note-printing monopoly? It takes no political genius to rise to the conclusion that if anyone is to print notes to be enforced as legal tender, surely that monopoly had best be exercised by

the government itself! And that is socialist monetary policy in a nutshell: the government in full control of the "money machine."

If government expenditures rise, just print additional bogus money. Soon enough, this bogus-money-declared-legal-tender will have driven into hoarding or hiding any more substantial or trustworthy medium of exchange. As Sir Thomas Gresham observed: "Bad money drives out good." This is the monetary manifestation of the more general law that people always will use the cheapest and easiest means available to obtain their various ends. In other words, if the government decrees that a piece of paper or an alloyed coin is equal in purchasing power to the precious metal that the market had chosen as money, then customers will do their best to make sellers take the bad money. And even the most honest and scrupulous of men will gladly use the bad money to meet his tax payments.

However, a small problem looms for a national government: its taxing power and legal tender monopoly end at the border. It may be able to fool or to browbeat foreign suppliers for a time into accepting printed paper to cover trade deficits; but eventually, international trade balances are payable in goods of value, such as

gold. Even an international monetary cartel such as the Bretton Woods agreement breaks down as soon as the gold runs out—a breakdown which President Nixon declared official on August 15, 1971.

It Stops at the Border

At this point, let us pick up the thread of the labor theory of value with which we began this discussion of inflation: the socialistic presumption that everyone is entitled to “a living wage,” whether or not he earns it. The late Lord Keynes translated this fallacy into the language of politics, saying in effect: the way to stay in office is to woo organized labor; if the unions demand higher wages, meet their demands through use of the money machine.

Some witnesses, seeing that the “money” button is now being pushed by organized labor, have come to the remarkable conclusion that this is a new kind of “cost-push” inflation, unlike the old “demand-pull” type; the union wage demands are pushing prices up, so the money-machine isn’t the culprit after all. Therefore, let’s freeze wages and let the machine run until the economy has regained its health! That, too, was implicit in the official declaration of August 15, 1971.

Despite all the International Brotherhoods of this and that, the new “cost-push” inflation has no greater power over foreigners than has any other name for the game. In the markets of the world, it’s still the same: put up, or shut up; if you want our goods and services, give us your goods or your gold; worthless paper not accepted here; the exorbitant wage demands of American labor unions are not legal tender in Japan, so sorry!

So, in the final analysis, what a nation can do is to inflate itself out of the world market and practice its splendid isolationism to the very brink of its own disaster — if not further. And a citizenry that will thus demand and tolerate socialism fully deserves it. Nor is it an effective cure for inflation to demand that the government more stringently regulate the monopoly powers granted to organized labor; of course those powers are used and abused to everyone’s detriment and ought to be withdrawn. So should numerous other special privileges and government-sanctioned interventions that disrupt peaceful production and trade. However, as long as the government has power to declare that paper is legal tender, there is little prospect that the economy may be free of inflation and socialism. ☉



Why Some Are Poorer

HENRY HAZLITT



THROUGHOUT HISTORY, until about the middle of the eighteenth century, mass poverty was nearly everywhere the normal condition of man. Then capital accumulation and a series of major inventions ushered in the Industrial Revolution. In spite of occasional setbacks, economic progress became accelerative. Today, in the United States, in Canada, in nearly all of Europe, in Australia, New Zealand, and Japan, mass poverty has been practically eliminated. It has either been conquered or is in process of being conquered by a progressive capitalism. Mass poverty is still found in most of Latin America, most of Asia, and most of Africa.

Yet even the United States, the

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most affluent of all countries, continues to be plagued by "pockets" of poverty and by individual poverty.

Temporary pockets of poverty, or of distress, are an almost necessary result of a free competitive enterprise system. In such a system some firms and industries are growing or being born, others are shrinking or dying; and many entrepreneurs and workers in the dying industries are unwilling or unable to change their residence or their occupation. Pockets of poverty may be the result of a failure to meet domestic or foreign competition, of a shrinkage or disappearance of demand for some product, of mines or wells that have been exhausted, of land that has become a dust bowl, and of droughts, floods, earthquakes, and other natural disasters. There is no way of preventing most of

these contingencies, and no all-encompassing cure for them. Each is likely to call for its own special measures of alleviation or adjustment. Whatever general measures may be advisable can best be considered as part of the broader problem of individual poverty.

This problem is nearly always referred to by socialists as "the paradox of poverty in the midst of plenty." The implication of the phrase is not only that such poverty is inexcusable, but that its existence must be the fault of those who have the "plenty." We are most likely to see the problem clearly, however, if we stop blaming "society" in advance and seek an unemotional analysis.

Diverse and International

When we start seriously to itemize the causes of individual poverty, absolute or relative, they seem too diverse and numerous even to classify. Yet in most discussion we do find the causes of individual poverty tacitly divided into two distinct groups — those that are the fault of the individual pauper and those that are not. Historically, many so-called "conservatives" have tended to blame poverty entirely on the poor: they are shiftless, or drunks or bums: "Let them go to work." Most so-called "liberals," on the other hand, have tended to blame pov-

erty on everybody but the poor: they are at best the "unfortunate," the "underprivileged," if not actually the "exploited," the "victims" of the "maldistribution of wealth," or of "heartless *laissez faire*."

The truth, of course, is not that simple, either way. We may, occasionally, come upon an individual who seems to be poor through no fault whatever of his own (or rich through no merit of his own). And we may occasionally find one who seems to be poor entirely through his own fault (or rich entirely through his own merit). But most often we find an inextricable mixture of causes for any given person's relative poverty or wealth. And any quantitative estimate of fault versus misfortune seems purely arbitrary. Are we entitled to say, for example, that any given individual's poverty is only 1 per cent his own fault, or 99 per cent his own fault — or fix any definite percentage whatever? Can we make any reasonably accurate quantitative estimate of the percentage even of those who are poor *mainly* through their own fault, as compared with those whose poverty is mainly the result of circumstances beyond their control? Do we, in fact, have any *objective* standards for making the separation?

A good idea of some of the older

ways of approaching the problem can be obtained from the article on "Poverty" in *The Encyclopedia of Social Reform*, published in 1897.¹ This refers to a table compiled by a Professor A. G. Warner in his book, *American Charities*. This table brought together the results of investigations in 1890 to 1892 by the charity organization societies of Baltimore, Buffalo, and New York City, the associated charities of Boston and Cincinnati; the studies of Charles Booth in Stepney and St. Pancras parishes in London, and the statements of Böhmert for 76 German cities published in 1886. Each of these studies tried to determine the "chief cause" of poverty for each of the paupers or poor families it listed. Twenty such "chief causes" were listed altogether.

Professor Warner converted the number of cases listed under each cause in each study into percentages, wherever this had not already been done; then took an unweighted average of the results obtained in the fifteen studies for each of these "Causes of Poverty as Determined by Case Counting," and came up with the following percentages. First came six "Causes Indicating Misconduct": Drink 11.0 per cent, Immorality 4.7, Laziness 6.2, Inefficiency and

Shiftlessness 7.4, Crime and Dishonesty 1.2, and Roving Disposition 2.2 — making a total of causes due to misconduct of 32.7 per cent.

Professor Warner next itemized fourteen "Causes Indicating Misfortune": Imprisonment of Bread Winner 1.5 per cent, Orphans and Abandoned 1.4, Neglect by Relatives 1.0, No Male Support 8.0, Lack of Employment 17.4, Insufficient Employment 6.7, Poorly Paid Employment 4.4, Unhealthy or Dangerous Employment 0.4, Ignorance of English 0.6, Accident 3.5, Sickness or Death in Family 23.6, Physical Defect 4.1, Insanity 1.2, and Old Age 9.6 — making a total of causes indicating misfortune of 84.4 per cent.

No Objective Standards

Let me say at once that as a statistical exercise this table is close to worthless, full of more confusions and discrepancies than it seems worth analyzing here. Weighted and unweighted averages are hopelessly mixed. And certainly it seems strange, for example, to list all cases of unemployment or poorly paid employment under "misfortune" and none under personal shortcomings.

Even Professor Warner points out how arbitrary most of the figures are: "A man has been shiftless all his life, and is now old; is the cause of poverty shift-

¹ Ed. by Wm. D. P. Bliss (New York: Funk & Wagnalls).

lessness or old age? . . . Perhaps there is hardly a single case in the whole 7,000 where destitution has resulted from a single cause."

But though the table has little value as an effort in quantification, any attempt to name and classify the causes of poverty does call attention to how many and varied such causes there can be, and to the difficulty of separating those that are an individual's own fault from those that are not.

An effort to apply objective standards is now made by the Social Security Administration and other Federal agencies by classifying poor families under "conditions associated with poverty." Thus we get comparative tabulations of incomes of farm and non-farm families, of white and Negro families, families classified by age of "head," male head or female head, size of family, number of members under 18, educational attainment of head (years in elementary schools, high school, or college), employment status of head, work experience of head (how many weeks worked or idle), "main reason for not working: ill or disabled, keeping house, going to school, unable to find work, other, 65 years and over"; occupation of longest job of head, number of earners in family; and so on.

These classifications, and their

relative numbers and comparative incomes, do throw objective light on the problem, but much still depends on how the results are interpreted.

Oriented Toward the Future

A provocative thesis has been put forward by Professor Edward C. Banfield of Harvard in his book, *The Unheavenly City*.² He divides American society into four "class cultures": upper, middle, working, and lower classes. These "subcultures," he warns, are not necessarily determined by present economic status, but by the distinctive psychological orientation of each toward providing for a more or less distant future.

At the most future-oriented end of this scale, the upper-class individual expects long life, looks forward to the future of his children, grandchildren, even great-grandchildren, and is concerned also for the future of such abstract entities as the community, nation, or mankind. He is confident that within rather wide limits he can, if he exerts himself to do so, shape the future to accord with his purposes. He therefore has strong incentives to "invest" in the improvement of the future situation — i. e., to sacrifice some present satisfaction in the expectation of enabling someone (him-

² Boston: Little Brown, 1970.

self, his children, mankind, etc.) to enjoy greater satisfactions at some future time. As contrasted with this:

"The lower-class individual lives from moment to moment. If he has any awareness of a future, it is of something fixed, fated, beyond his control: things happen to him, he does not *make* them happen. Impulse governs his behavior, either because he cannot discipline himself to sacrifice a present for a future satisfaction or because he has no sense of the future. He is therefore radically improvident: whatever he cannot consume immediately he considers valueless. His bodily needs (especially for sex) and his taste for 'action' take precedence over everything else — and certainly over any work routine. He works only as he must to stay alive, and drifts from one unskilled job to another, taking no interest in the work."³

Professor Banfield does not attempt to offer precise estimates of the number of such lower-class individuals, though he does tell us at one point that "such ['multiproblem'] families constitute a small proportion both of all families in the city (perhaps 5 per cent at most) and of those with incomes below the poverty line (perhaps 10 to 20 per cent). The problems that they present are out of proportion

to their numbers, however; in St. Paul, Minnesota, for example, a survey showed that 6 per cent of the city's families absorbed 77 per cent of its public assistance, 51 per cent of its health services, and 56 per cent of its mental health and correction casework services."⁴

Obviously if the "lower class culture" in our cities is as persistent and intractable as Professor Banfield contends (and no one can doubt the fidelity of his portrait of a sizable group), it sets a limit on what government policy makers can accomplish.

By Merit, or by Luck

In judging any program of relief, our forefathers usually thought it necessary to distinguish sharply between the "deserving" and the "undeserving" poor. But this, as we have seen, is extremely difficult to do in practice. And it raises troublesome philosophic problems. We commonly think of two main factors as determining any particular individual's state of poverty or wealth — personal merit, and "luck." "Luck" we tacitly define as anything that causes a person's economic (or other) status to be better or worse than his personal merits or efforts would have earned for him.

Few of us are objective in

³ *Ibid.*, p. 53.

⁴ *Ibid.*, p. 127.

measuring this in our own case. If we are relatively successful, most of us tend to attribute our success wholly to our own intellectual gifts or hard work; if we have fallen short in our worldly expectations, we attribute the outcome to some stroke of hard luck, perhaps even chronic hard luck. If our enemies (or even some of our friends) have done better than we have, our temptation is to attribute their superior success mainly to good luck.

But even if we could be strictly objective in both cases, is it always possible to distinguish between the results of "merit" and "luck"? Isn't it luck to have been born of rich parents rather than poor ones? Or to have received good nurture in childhood and a good education rather than to have been brought up in deprivation and ignorance? How wide shall we make the concept of luck? Isn't it merely a man's bad luck if he is born with bodily defects — crippled, blind, deaf, or susceptible to some special disease? Isn't it also merely bad luck if he is born with a poor intellectual inheritance — stupid, feeble-minded, an imbecile? But then, by the same logic, isn't it merely a matter of good luck if a man is born talented, brilliant, or a genius? And if so, is he to be denied any credit or merit for being brilliant?

We commonly praise people for being energetic or hard-working, and blame them for being lazy or shiftless. But may not these qualities themselves, these differences in degrees of energy, be just as much inborn as differences in physical or mental strength or weakness? In that case, are we justified in praising industriousness or censuring laziness?

However difficult such questions may be to answer philosophically, we do give definite answers to them in practice. We do not criticize people for bodily defects (though some of us are not above deriding them), nor do we (except when we are irritated) blame them for being hopelessly stupid. But we do blame them for laziness or shiftlessness, or penalize them for it, because we have found in practice that people do usually respond to blame and punishment, or praise and reward, by putting forth more effort than otherwise. This is really what we have in mind when we try to distinguish between the "deserving" and the "undeserving" poor.

What Happens to Incentive

The important question always is the effect of outside aid on incentives. We must remember, on the one hand, that extreme weakness or despair is not conducive to incentive. If we feed a man who

has actually been starving, we for the time being probably increase rather than decrease his incentives. But as soon as we give an idle able-bodied man more than enough to maintain reasonable health and strength, and especially if we continue to do this over a prolonged period, we risk undermining his incentive to work and support himself. There are unfortunately many people who prefer near-destitution to taking a steady job. The higher we make any guaranteed floor under incomes the larger the number of people who will see no reason either to work or to save. The cost to even a wealthy community could ultimately become ruinous.

An "ideal" assistance program, whether private or governmental, would (1) supply everyone in dire need, through no fault of his own, enough to maintain him in reasonable health; (2) would give nothing to anybody not in such need; and (3) would not diminish or undermine anybody's incentive to work or save or improve his

skills and earning power, but would hopefully even increase such incentives.

But these three aims are extremely difficult to reconcile. The nearer we come to achieving any one of them fully, the less likely we are to achieve one of the others. Society has found no perfect solution of this problem in the past, and seems unlikely to find one in the future. The best we can look forward to, I suspect, is some never-quite-satisfactory compromise.

Fortunately, in the United States the problem of relief is now merely a residual problem, likely to be of constantly diminishing importance as, under free enterprise, we constantly increase total production. The real problem of poverty is not a problem of "distribution" but of production. The poor are poor not because something is being withheld from them, but because, for whatever reason, they are not producing enough. The only permanent way to cure their poverty is to increase their earning power. 

Self-Help

IDEAS ON



LIBERTY

THE SPIRIT of self-help is the root of all genuine growth in the individual; and, exhibited in the lives of many, it constitutes the true source of national vigor and strength.

SAMUEL SMILES

ECONOMICS:

A Branch of Moral Philosophy

LEONARD E. READ

THE AUTHOR of *The Wealth of Nations* (1776) is frequently classed as an eighteenth century economist. But Adam Smith was primarily a professor of moral philosophy, the discipline which I believe is the appropriate one for the study of human action and such subdivisions of it as may be involved in political economy.

Moral philosophy is the study of right and wrong, good and evil, better and worse. These polarities cannot be translated into quantitative and measurable terms and, for that reason, moral philosophy is sometimes discredited as lacking scientific objectivity. And it is not, in fact, a science in the sense that mathematics, chemistry, and physics are sciences. The effort of many economists to make the study of political economy a natural science draws the subject out of its broader discipline of moral

philosophy, which leads in turn to social mischief.

Carl Snyder, long-time statistician of the Federal Reserve Board, exemplifies an economic "scientist." He wrote an impressive book, *Capitalism the Creator*.¹

I agree with this author that capitalism is, indeed, a creator, providing untold wealth and material benefits to countless millions of people. But, in spite of all the learned views to the contrary, I believe that capitalism, in its significant sense, is more than Snyder and many other statisticians and economists make it out to be — far more. If so, then to teach that capitalism is fully explained in mathematical terms is to settle for something less than it really is. This leaves unexplained and vul-

¹ Carl Snyder, *Capitalism the Creator* (New York: The Macmillan Company, 1940; Arno Press, 1972), 492 pp.

nerable the real case for capitalism.

Snyder equates capitalism with "capital savings." He explains what he means in his Preface:

"The thesis here presented is simple, and unequivocal; in its general outline, not new. What is new, I would fain believe, is the proof; clear, statistical, and factual evidence. That thesis is that there is one way, and only one way, that any people, in all history, have ever risen from barbarism and poverty to affluence and culture; and that is by that concentrated and highly organized system of production and exchange which we call Capitalistic: one way, and one alone. Further, that it is solely by the accumulation (and concentration) of this Capital, and directly proportional to the amount of this accumulation, that the modern industrial nations have arisen: perhaps the sole way throughout the whole of eight or ten thousand years of economic history."

No argument — none whatsoever — as to the accomplishments of capitalism, or that it has to do with "capital savings." But what is capital?

The Ideas Behind Capital

The first answer that comes to mind is that capital means the tools of production: brick and

mortar in the form of plants, electric and water and other kinds of power, machines of all kinds including computers and other automated things, ships at sea and trains and trucks and planes — you name it! These things are indeed capital, but is capital in the sense of material wealth sufficient to tell the whole story of capitalism and its creative accomplishments or potentialities?

Merely bear in mind that all of this fantastic gadgetry on which rests a high standard of living has its origin in ideas, inventions, discoveries, insights, intuition, think-of-thats, and such other unmeasurable qualities as the will to improve, the entrepreneurial spirit, intelligent self-interest, honesty, respect for the rights of others, and the like. These are spiritual as distinguished from material or physical assets, and always the former precedes and is responsible for the latter. This is capital in its fundamental, originating sense; this accumulated wisdom of the ages — an over-all luminosity — is the basic aspect of "capital savings."

It is possible to become aware of this spiritual capital, but not to measure, let alone to fully understand it — so enormous is its accumulation over the ages. Awareness? Sit in a jet plane and ask what part you had in its making.

Very little, if any, even though you might be on the production line at Boeing. At most, you pressed a button that turned on forces about which you know next to nothing. Why, no man even knows how to make the pencil you used to sign a requisition. These "capital savings" put at your disposal an energy perhaps several hundred times your own. This accumulated energy — the workings of human minds over the ages — is capital!

"Truly Scientific"

With this concept of capital in mind, reflect on how unrealistic are the ambitions of the "scientific" economists. Carl Snyder phrases their intentions well in the concluding paragraph of his Preface:

"It was inevitable, perhaps, that anything like a "social science" should be the last to develop. Its bases are so largely *statistical* that it was only with the development of an enormous body of new knowledge that anything resembling a firmly grounded and *truly scientific system* could be established. It is coming; already the most fundamental elements of this knowledge are now available, as the pages to follow will endeavor to set forth." (Italics added)

Snyder is, indeed, statistical. He displays 44 charts. Nearly all of these show the ups and downs —

mostly ups — of physical assets in dollar terms. This, in his view, is a "truly scientific system." But how scientific can a measurement be if the units cannot be quantified and the measuring rod is as imprecise in value as is the dollar or any other monetary unit?

And what is truly scientific about showing the growth in coal production, for instance, if there be a shift in demand favoring some other fuel? This would be only a pseudo-measurement with no more scientific relevance than a century-old chart showing the dollar growth in buggy whip production.

Professor F. A. Hayek enlightens us:

"All the physical laws of production" which we meet, e.g., in economics, are not physical laws in the sense of the physical sciences but people's beliefs about what they can do. . . . That the objects of economic activity cannot be defined in objective terms but only with reference to a human purpose goes without saying. Neither a 'commodity' or an 'economic good,' nor 'foods' or 'money,' can be defined in physical terms but only in terms of views people hold about things."²

² See *The Counter-Revolution of Science* by F. A. Hayek (New York: The Free Press of Glencoe, The Crowell-Collier Publishing Co., 1964), p. 31.

National Accounting

Economic growth for a nation cannot be mathematically or statistically measured. Efforts to do so are highly misleading. They lead people to believe that a mere increase in the measured output of goods and services is, in and of itself, economic growth. This fallacy has led to the forced savings programs of centrally administered economic systems — programs which decrease the range of voluntary choice among individuals. This is the heart of the failure of the socialistic policies of the underdeveloped nations of Asia, Africa, and Latin America. As Prof. P. T. Bauer has written so eloquently: "I regard the extension of the range of choice, that is, an increase in the range of effective alternatives open to people, as the principal objective and criterion of economic development; and I judge a measure principally by its probable effects on the range of alternatives open to individuals."³

Indeed, even an individual's economic growth can no more be measured, exclusively, in terms of historical statistics than can his intellectual, moral, and spiritual growth. These ups and downs cannot be defined in physical terms

but only in terms of views people hold about things. These views — highly personal — are in constant flux; you may care nothing tomorrow for that which you highly prize today.

Once we grasp the point that the value of any good or service is whatever others will give in willing exchange, and that the judgments of all parties to all exchanges are constantly and forever changing, it should be plain that even physical assets — money, food, or whatever — do not lend themselves to measurements in the scientific sense.

And when we further reflect on the fundamental nature of "capital savings," — that they emerge out of ideas, inventions, insights, and the like — the idea of scientific measurement becomes patently absurd.

In any event, it is this penchant to make a science of political economy, to reduce capitalistic behavior to charts, statistics, theorems, arbitrary symbols, that leads to such nonsense as the Gross National Product (GNP), "national goals" and "social gains."⁴ The more pronounced this

³ P. T. Bauer, *Economic Analysis and Policy in Underdeveloped Countries* (Duke University Press and Cambridge University Press, 1957), p. 113.

⁴ For more on the GNP fallacy and how economic growth cannot be "factually" reported, see "A Measure of Growth" in my *Deeper Than You Think* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, Inc., 1967), pp. 70-84.

trend, the less will the economics of capitalism and the free society be understood — “a dismal science,” for certain. Indeed, could the ambitions of the “scientific economists” be realized, dictatorship would be a viable political system. At the dictator’s disposal would be all the formulae, all the answers; disregarding personal views and choices, he would simply run his information through computers and thus meet production schedules.

When we grasp the point that no man who ever lived has been able to foresee his own future choices, let alone those of others, economic scientism, as it might be called, makes no sense.

Man’s Arrogance

How did we ever get off on this untenable course? Perhaps we can only speculate. A flagrant display: At one point in a recent Seminar discussion I repeated, “Only God can make a tree.” And then this exclamation by a graduate student, “Up until now!” This, it appears to me, is the reflection of a notion, so prevalent in the eighteenth and nineteenth centuries, that every facet of Creation, even life itself, lies within the powers of man. Merely a matter of time!

To tear human action asunder and then to assign symbols or labels to the pieces, as the scien-

tists properly do with the chemical elements, is no service to economic understanding. This method makes understanding impossible for the simple reason that it presupposes numerous phases of human action that can be mathematically or scientifically distinguished one from the other when such is not the case. Why am I motivated to write this or you to read it? Doubtless, each of us can render a judgment of sorts but it will not be, cannot be, in the language of science.

Political economy is as easy or, perhaps, as difficult to understand and practice as the Golden Rule or the Ten Commandments. Economics is no more than a study of how scarcity is best overcome, and the first thing we need to realize is that this is accomplished by the continued application of human action to natural resources.

Natural resources are what they are, no more, no less — the ultimate given! The variable is human action.

Political economy, then, resolves itself into the study of what is and what is not intelligent human action. It should attempt to answer such questions as:

Is creative energy more efficiently released among free or coerced men?

Is freedom to choose as much a right of one as another?

Who has the right to the fruits of labor — the producer or nonproducer?

How is value determined — by political authority, cost of production, or by what others will give in willing exchange?

What actions of men should be restrained — creative actions or only destructive actions?

How dependent is overcoming scarcity on honesty, respect of each for the rights of others, the entrepreneurial spirit, intelligent interpretation of self-interest?

Viewed in this manner, politi-

cal economy is not a natural science like chemistry or physics but, rather, a division of moral philosophy — a study of what is right and what is wrong in overcoming scarcity and maximizing prosperity — the problem to which it addresses itself.

Once we drop the “scientific” jargon and begin to study political economy for what it really is, then its mastery becomes no more difficult than understanding that one should never do to others that which he would not have them do unto him. 

Freedom, an Illusion

FREEDOM is an illusion, though an important one; in any society, restraints and restrictions, obligations and compulsions are the realities.

“Free as the wind” is such an illusion. Consider the restraints and restrictions and obligations and compulsions. For wind is nothing but air being pushed from areas of high pressure to low, cold and heavy air displacing warmer and lighter air, its course modified by solid objects of nature and man in its path, subject to all the laws of gases, gravity, mass, matter, and so on.

The illusion of freedom has been broad indeed in America with its unique government of limited and specific powers — limiting the restraints and restrictions, the obligations and compulsions to which Americans might be subjected. No such illusions of freedom persist in totalitarian societies, be they Communist, Fascist, Socialist or whatever. For it is made abundantly clear that the people subject to these regimes are free only to support and serve the state, with ample restraints and restrictions to shatter any other illusions of freedom.

Why is this illusion of freedom so vitally important? Because the more free men feel to serve themselves, their fellows, and their Creator, the better they do in fact serve all.

IDEAS ON



LIBERTY

MORALITY and CONTROLS

MILTON FRIEDMAN

MOST DISCUSSION of the wage-price freeze and the coming Phase II controls has been strictly economic and operational: were they needed, will they work, how will they operate. I have recorded my own opposition to them in three columns in *Newsweek*.

There has been essentially no discussion of a much more fundamental issue. The controls are deeply and inherently immoral. By substituting the rule of men for the rule of law and for voluntary cooperation in the marketplace, the controls threaten the very foundations of a free society. By encouraging men to spy and report on one another, by making it

in the private interest of large numbers of citizens to evade the controls, and by making actions illegal that are in the public interest, the controls undermine individual morality.

One of the proudest achievements of Western civilization was the substitution of the rule of law for the rule of men. The ideal is that government restrictions on our behavior shall take the form of impersonal rules, applicable to all alike, and interpreted and adjudicated by an independent judiciary rather than of specific orders by a government official to named individuals. In principle, under the rule of law, each of us can know what he may or may not do by consulting the law and determining how it applies to his own circumstances.

The rule of law does not guaran-

Dr. Friedman, Professor of Economics, University of Chicago, needs no introduction to FREEMAN readers.

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tee freedom, since general laws as well as personal edicts can be tyrannical. But increasing reliance on the rule of law clearly played a major role in transforming Western society from a world in which the ordinary citizen was literally subject to the arbitrary will of his master to a world in which the ordinary citizen could regard himself as his own master.

Contract or Status?

The ideal was, of course, never fully attained. More important, we have been eroding the rule of law slowly and steadily for decades, as government has become more and more a participant in economic affairs rather than primarily a rule-maker, referee, and enforcer of private contracts. It was, after all, the development of the private market that made possible the original movement from a world of status to a world of voluntary contract. As government has tried to replace the market in one area after another, it has inevitably been driven to restore a world of status.

The freeze and even more the pay board and price board of the Phase II controls are clearly another massive step away from the rule of law and back toward the rule of men. True, the rule of men will be under law but that is a far cry from the rule of law — Stalin,

Hitler, Mussolini, and now Kosygin, Mao, and Franco all rule under law.

The price that you and I may charge for our goods or our labor or that we may pay others for their goods or their labor will now be determined, not by any set of legislated standards applying to all alike, but by specific orders by a small number of men appointed by the President. And if governmental edict is to replace market contract, there is no alternative. There are millions of prices, millions of wage rates arrived at by voluntary agreements among millions of people. The collectivistic countries have been unable in decades to find simple rules enabling prices and wages to be established by any alternative impersonal mechanism.

Politics and Patriotism

We are not likely to succeed. And we are not trying. Instead, the appeal is to the patriotism, civic responsibility, and judgment of political appointees, most of whom represent vested interests. How do patriotism and judgment determine that the price of a widget may rise 2.8 per cent but the price of a wadget, only 0.3 per cent; the wage of a widgeteer by 2 per cent but of a wadgeteer, by 10 per cent? Clearly they do not.

Arbitrary judgment, political power, visibility — these are what will matter.

The tendency for such an approach to violate human freedom is even more clearly exemplified by the present situation with respect to dividends. The President has *requested* firms not to raise dividends — he has no legal power to do more. The request has been accompanied by surveillance, a calling down to Washington and public lambasting of the handful of corporations that did not conform, and a clear, implied threat to use extralegal powers. These measures have no legal basis at all. Yet I know of only one small company that has had the courage to refuse to cooperate on grounds of principle.

The full logic of the system will not work itself out this time. Our strong tradition of freedom, the ineffectiveness of the controls, the ingenuity of the people in finding ways around them — these will lead to the collapse of the controls rather than to their hardening into a full-fledged straitjacket. But nonetheless, it is disheartening to see us take this further long step on the road to tyranny so light-heartedly, so utterly unaware that we are doing something fundamentally in conflict with the basic principles on which this country is founded. The first time, we may

venture only a small way. But the next time, and the next time?

A Nation of Informers

Enforcement of the price and wage controls, as of the freeze, must depend heavily on encouraging ordinary citizens to be informers — to report “violations” to government officials.

When you and I make a private deal, both of us benefit — otherwise we do not have to make it. We are partners, cooperating voluntarily with one another. The terms, so long as they are mutually agreeable, should be our business. But not any longer. Big Brother is looking over our shoulders. And if the terms do not correspond with what he says is O.K., one of us is encouraged to turn in the other. And to turn him in for doing something few people have ever regarded and do not now regard as in any sense morally wrong; on the contrary, for doing something that each of us regards, when it affects us, as our basic right. Am I not entitled to sell my goods or my labor for what I consider them worth as long as I do not coerce anyone to buy? Is it morally wrong for Chile to expropriate the property of Anaconda Copper — i.e., to force it to sell its copper mines for a price less than its value; but morally right for the U.S. government to

"The excuse for the destruction of liberty is always the plea of necessity."

force the worker to sell his labor for less than its value to him and to his employer?

By any standards, the edicts of the pay board and the price board, like the initial freeze, will be full of inequities and will be judged to be by ever increasing numbers of people. You believe that you are entitled to a pay raise, your employer agrees and wishes to give you one, yet the pay board says no. Will there not be a great temptation to find a way around the ruling? By a promotion unaccompanied by any change in duties but to a job title carrying a higher permitted pay. Or by your employer providing you with amenities you formerly paid for. Or by one or another of the innumerable stratagems — legal, quasi-legal, or illegal — that ingenious men devise to protect themselves from snooping bureaucrats.

Two Wrongs = Two Wrongs

In general, I have little sympathy with trade unions. They have done immense harm by restricting access to jobs, denying excluded workers the opportunity to make the most of their abilities, and

forcing them to take less satisfactory jobs. Yet surely in the present instance they are right that it is inequitable for the government retroactively to void contracts freely arrived at. The way to reduce the monopoly power of unions is to remove the special legal immunities they are now granted, not to replace one concentrated power by another.

When men do not regard governmental measures as just and right they will find a way around them. The effects extend beyond the original source, generate widespread disrespect for the law, and promote corruption and violence. We found this out to our cost in the 1920's with Prohibition; in World War II with price control and rationing; today with drug laws. We shall experience it yet again with price and wage controls if they are ever more than a paper façade.

One feature of price and wage controls makes their effect on individual morality especially vicious. Because these controls distort the use of resources, the evader benefits not only himself but society. The more rigorously

the controls are enforced, the more harm they do. They render behavior which is immoral from one point of view socially beneficial. They thus introduce the kind of fundamental moral conflict that is utterly destructive of social cohesion.

Our markets are far from completely free. Monopoly power of labor and business means that prices and wages are not wholly a product of voluntary contract. Yet these blemishes, real and important though they are, are minor compared to replacing market agreements by government edict, compared to giving arbitrary power to a small number of appointed officials, compared to inculcating in the public contempt for the law.

The excuse for the destruction of liberty is always the plea of necessity — that there is no alternative. If indeed, the economy were in a state of crisis, of a life-and-death emergency, and if controls promised a sure way out, all

their evil social and moral effects might be a price that would have to be paid for survival. But not even the gloomiest observer of the economic scene would describe it in any such terms. Prices rising at 4 per cent a year, unemployment at a level of 6 per cent — these are higher than we would like to have or than we need to have, but they are very far indeed from crisis levels. On the contrary, they are rather moderate by historical standard. And there is far from uniform agreement that wage and price controls will improve matters. I happen to believe that they will make matters worse after an initial deceptive period of apparent success. Others disagree. But even their warmest defenders recognize that they impose costs, produce distortions in the use of resources, and may fail to reduce inflation. Under such circumstances, the moral case surely deserves at least some attention.



The Abolition of Private Property

A GOVERNMENT that sets out to abolish market prices is inevitably driven towards the abolition of private property; it has to recognize that there is no middle way between the system of private property in the means of production combined with free contract, and the system of common ownership of the means of production, or Socialism. It is gradually forced towards compulsory production, universal obligation to labor, rationing of consumption, and, finally, official regulation of the whole of production and consumption.

LUDWIG VON MISES, *The Theory of Money and Credit*

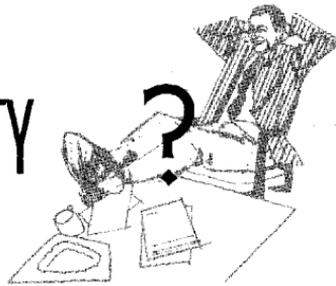
IDEAS ON



LIBERTY

Can we sustain

PROSPERITY



W. A. PATON

THOUGHTFUL contemplation of the current scene, supplemented with some scanning of the historical record, is likely to set the observer to wondering if any nation is capable of achieving and maintaining a broadly affluent society. Toiling up the slope, overcoming obstacles and adversity, human beings often display courage, resourcefulness, endurance, tenacity, ability to cope and continue climbing, but when they reach the top of the hill, have it made, many seem to have a tendency to shed their heroic trappings and become confused, disorderly, unenterprising, and — in some cases — downright shiftless and dependent.

The cycle of great progress fol-

lowed by decline seems to be in the process of striking illustration here in America. As to the fact of an astonishing advance there can be no question. In two centuries, roughly, the United States has moved from a scattering of settlements, loosely affiliated, along our eastern seaboard to a country stretching across a continent, and recognized as a major world power. In this period, too, a primitive technology has been transformed into a productive mechanism placing us in a forefront industrial position, with a per-capita standard of living that is unmatched, anywhere. In this process hardships and difficulties were encountered by our forefathers that looked insurmountable at times, and that were mastered only by an amazing display of determination and fortitude on the part of many individuals and families. The commitment

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of the founders of the nation to a republican form of government, as expressed in our constitution, and the accompanying atmosphere of faith in individual initiative and a free, competitive market economy, undoubtedly played a great, and perhaps decisive, role in making possible the tremendous gains that have been chalked up in such a short span of years.

But now that we've arrived, so to speak, there are ominous signs of decay and collapse. When one looks squarely at the prevailing tendencies and conditions it is hard to be optimistic about the future. With the widespread slackening of the willingness to work, and work diligently and well, exemplified right and left in absenteeism, careless performance on the job, demands for ridiculously short weekly working hours, to mention a few of the evidences, a decline in productivity per person can hardly be avoided, even if the momentum of the technical march is maintained for a time and there is persistent abatement in the rate of population growth. Still more serious is the apparent waxing, among many, of the spirit of dependency; there seem to be few signs of reluctance to accept a place on the relief rolls and no widespread urge to get off the list of those who are living at the expense of the taxpaying group. The fearful increase in the

level of serious crime, including destruction of both private and public property, the growing cancer of drug abuse, the outrageous irresponsibility and disorder on the educational front, the carnage on the highways, are examples of other factors that are rampant and that surely are having a negative impact on the quality of living as well as the quantity of commodities and services available for consumers.

Before going on I should point out that it would be difficult to demonstrate that marked material progress is inherently bound to generate a general downhill slide; but it does seem clear that we Americans have suffered a severe attack of softening-up, particularly evident among the coddled and unruly young folks but found in varying degrees among all ages and classes. And it also seems clear that some of the serious problems with which we are confronted could hardly germinate, to say nothing of growing like bad weeds, in the absence of a high level of economic output and prosperity. There is a chain of evidence, too, of cyclical patterns of behavior among both individuals and groups, historically as well as currently, although there is room for argument as to underlying causes of rise and fall in particular situations.

Striding into Socialism

The problems and difficulties referred to above are by no means the whole story of what ails us. During the past forty to fifty years the freedom of initiative and choice that we have enjoyed, and that is so substantially responsible for the progress made, has been rapidly eroded. Government interference and control have been growing like the psalmist's green bay tree. Fostered by war and postwar problems, the depression of the early thirties, and the policies promoted during the Roosevelt era, we have seen the hand of the state, at all levels, bearing down more and more heavily on the mechanism of the market, throughout the economic pipeline. Business men and politicians are still giving persistent lip service to "our system of free enterprise," but the continuing reiteration of this phrase is becoming a bit absurd in the light of the actual state of affairs. The most discouraging aspect of the situation, for those with genuine allegiance to the view that the free competitive market is the effective means of stimulating and directing the economic apparatus, is the extent of general acquiescence in the march toward a completely socialistic society.

Indeed, there seems to be an increasing tide of clamor for more

and more government intervention and dictation in the process of production and distribution, ranging from such fields as specifications for motor vehicle manufacture to the details of cereal packaging. This clamor gives evidence of both gross ignorance and a form of mysticism. Many act as if they were unaware of what the free market has accomplished for this country, and are equally lacking in the ability to distinguish between the essence of a free economy and the nature of statism. And a host of people appear to believe that the ordinary humans who operate a government agency somehow become supermen, wizards, when they put on the official cloak. Actually there is abundant evidence that government employment is still not regarded with great favor by many of the exceptionally talented and ambitious and that those entering the service of the state tend to become insulated by civil service and other factors from the kind of pressures that still prevail in private business, with resulting impairment of any urge in the direction of top-flight performance. Belief in the superiority of government operation over that of typical private organizations is surely one of the most unjustified of all the familiar delusions from which we are suffering. Experience with the mail

service alone should be sufficient to cure anybody — even the most gullible — of such a conviction.

The Poverty Bugaboo

The activists in the drive against private business undertakings and an economy depending on the market for guidance generally start their attack by questioning the position that by these means we have achieved a genuinely prosperous status. They can hardly deny the fact of an astonishing advance in technical devices and methods and an accompanying surge in the level of economic output, but they contend that the major benefit of the improvement goes to the few rather than the many, and that the injustices inherent in the way the pie is cut and distributed are so serious as to warrant the indictment of the system rather than its support.

That the mechanism of the market will not work out perfectly in practice, even if not harassed or hamstrung by interventions, must be acknowledged. The American experience, although extraordinary, has certainly not been free from difficulties and inequities; the results, even from a neutral point of view, fall short of achieving an ideal state of affairs. The frailties of men have not been overcome; unfairness and predatory conduct have not been eliminated.

But any careful examination of the available data will show that the radical detractors, the people determined to substitute complete collectivism for a still partially-free market economy, are way off base. In the first place they make the old Marxian mistake of assuming that you can have mass production without mass consumption. If millions of bathtubs are made there must be millions of users; they can't all be crowded into the homes of the very wealthy. The truth is that capitalism has been the great leveler. In the industrial countries generally, and especially in the United States, the most striking feature of the trek up the hill has been the great improvement in the lot of the ordinary, mine-run individual. With the development of machine methods, broad markets, and representative government, it became no longer possible for a small ruling class to skim off all the cream, leaving the masses at or near the subsistence level — the condition prevailing through most of human history.

The willingness of those working to destroy private enterprise and enthrone government to close their eyes to the actual situation is somewhat puzzling, and at times makes one question the sincerity of their accusations and protestations. It is true, of course, that

some people have larger incomes, better housing, and more property than others, and such a condition may arouse envy and even hate, as well as provide powerful motivation for greater effort and productivity. But it is simply not a fact that America is a land of large-scale poverty and economic distress. The air is full of baloney at this point. The attitudes of many remind one of the tale of the goose and the golden eggs. Present-day Americans *are* affluent, amazingly, when their condition is compared with the lot of their grandparents and great-grandparents, to go back no further. Let the complainers try to find examples of families at the bare subsistence level; they'll have trouble in locating a single case. When the writer was a youngster, in contrast, there were households in many neighborhoods where at times perhaps the only available foodstuff was corn-meal — and not much of that. And the people suffering real privation in those days were often still too proud and ambitious to expect to be taken care of by either the neighbors or any branch of government. Abject poverty — where keeping body and soul together is a problem — has almost disappeared in this country, and today we are arguing about the frills, not the necessities.

I recall flying across Appalachia

one beautiful evening during the period when the hue and cry about the pathetic state of the miners and their families was at its height. It was just at dusk, but following the valleys at less than a mile up I had a good view of hundreds of cabins and small houses, both scattered and in the villages along our route. And I was struck by the fact that there was a television tower on almost every home, including the shanties, and one or two cars standing in nearly every driveway (and they didn't all look like jalopies). I realize that the presence of a television set and a car doesn't demonstrate affluence, but neither does it suggest a state of acute misfortune and misery.

With the campaign to abolish "poverty" now in full swing, mainly through the means of coerced transfers from those with to those without (by political definition) there is grave danger that there will shortly be an accelerating reluctance on the part of those providing the wherewithal to continue to carry on for the benefit of the idle and nonproductive, and that the resulting decline in output will produce a crisis that will finally lead to a tyrannical dictatorship. Indeed, there is already some evidence of slackening effort, on the part of those still working and paying taxes, in the face of

the mounting burden of the "welfare" program.

The Importance of Pressures

The question propounded in the heading for these comments, however, should not be answered by a blunt negative. It leads into the broad problem of motivation, a subject worthy of serious study. In attempting to examine this problem very briefly, and to take note of some of the limitations of the pessimistic position outlined here, some further attention should be given, first, to the impact of hardships and rough sledding on the development of character and striving for improvement.

That pressure of some kind is required to induce man to bestir himself, vigorously and resourcefully, to spur him to effort and accomplishment, seems quite clear. As somebody has put it, "when the going gets tough the tough get going." The basic, universal pressure is the urge to survive. Among our remote, primitive ancestors this pressure was undoubtedly most urgently felt in the need to find food adequate to maintain life, and in many parts of the planet today this need is still paramount. In the Western World, and particularly here in America, this primary pressure has receded, at least for the time being, into

the background. As a result of great technical progress and other factors we are now concerned with a high rather than a bare living level, as already pointed out. In the matter of food we have meat, dairy products, fruit, vegetables, and a great array of processed and packaged foodstuffs, and it would be difficult for most Americans even to imagine themselves restricted to a diet — for example — of unpolished rice with an occasional dab of fish. In clothing it is style that counts, not the need to keep from freezing. In housing almost everyone has electric lights, and central heating and air-conditioning are so widespread as to be commonplace. Improved streets and highways are crowded with more than 100,000,000 motor vehicles. Travel, entertainment, educational facilities, a flood of printed matter, are generally available. And so on. As I said before we *are* affluent, and sustenance is not our immediate problem.

It is difficult to judge what is the over-all effect of the present-day release, on a substantial scale, from the threat of starvation, and the general slackening of the struggle for the other "necessities". That the absence of these fundamental pressures has a bearing on current conditions may reasonably be concluded. One evi-

dence of the effect of the "good times", often pointed out, is found in the many cases where the sons and daughters of those who have made the grade show little of the urge to work hard, to hustle, to strive, as did their parents and grandparents. And in view of the extent to which some of the youngsters are indulged this should not be surprising. Another evidence is supplied by artificial, built-in barriers to pressure. Civil service and professorial tenure are examples of shelters that often contribute to sluggishness and poor performance. If the boss has no power to fire anybody why should an employee go all out to improve his productivity? Why should he not slow down in the traces? I once joshingly suggested to a university president that the board of regents should fire at least one full professor annually, even if he were picked by lot, as a means of keeping the teaching staff on their toes. (Of course there are cases where conscience, a developed work habit, and native ambition to excel, will offset the tendency to take it easy under the protection afforded by tenure.)

Relieve Unnecessary Pressures

Supporters of tenure, union power, and other policies, aimed at preventing dismissals, may contend that the resulting freedom

from fear, increased sense of security, will serve to promote rather than check the inclination to pitch in hard at the work in hand, and this point is not utterly without merit. Acute and continuing fear, at any rate, may not be conducive to top performance. Thus the constant dread of finding the pink slip of dismissal in the pay envelope, and anxiety as to arbitrary and unjust treatment, are not favorable conditions for the stimulation of first-class effort. But such conditions are a far cry from those in which dismissal for serious cause — persistent absenteeism, drunkenness, sloppy workmanship, sabotage, and so on — is impossible because of tenure or other restraints on management.

On the market place there is broad evidence of the pressure requirement. Without the push provided by competition the market can not be expected to furnish price structures and movements that will act as sound thermostatic guides in production and distribution. It is beyond the scope of this piece to consider the meaning and impact of competition, but it is not inappropriate here to insist that the very essence of a condition of active competition is *continuing pressure in the direction of better products and services to the consumer, at the lowest possible cost.*

The Need for Lures

Before concluding these comments notice should also be taken of the importance of the carrot in front as well as the stick behind as a stimulant. Opportunity, encouragement, inducement, as well as hardship and difficulty, can prod men to action and increased effort. Thus it can be argued that the opportunity presented to early American settlers by a relatively open continent, blessed with abundant natural resources, rather than the obstacles and difficulties as such, is the factor that explains the great forward surge in technology and productivity. Opportunity beckons, without doubt, and a hopeless outlook, with no sign of a silver lining in view, is not conducive to great endeavor. This is very evident in the areas of capital formation and investment; without the lure of earnings the incentive to save and invest is surely impaired if not largely destroyed.

In climbing the hill, to consider the possible effect of opportunity a bit further, every step successfully taken may provide encouragement for attempting another stride, and as the momentum of progress increases the glimpses of the possibilities lying ahead may become even more potent than the sight of the obstacles yet in the way. It is hardly practicable, and

not necessary, to pass judgment on the relative weights of the impacts of lure and pressure, but we can all agree that the presence of openings, prospects, of doors at least ajar, may well be of crucial significance in any society, at any stage of its development.

Will the Upward Climb Be Resumed?

Are there chinks in the clouds that have been gathering over our heads in America, and have been becoming blacker and blacker for some time? Do our current troubles constitute the early stages of a long decline into some kind of "dark ages"? As I've already indicated, grounds for optimism are rather hard to find. But a turnabout—perhaps in a generation or two—shouldn't be ruled out. It is conceivable that present destructive trends will be checked, by some juncture of circumstances, and even reversed in due course. Many Americans still have a lot of latent spunk left, that comes to light occasionally in the heroic efforts—for example—to rescue trapped miners, children in peril, or even the cat or dog lost in a sewer. In the field of sport, too, we see the survival of a strong competitive spirit and devotion to the ideal of top performance. And there are other and still more impressive evidences of courage, sacrifice, and dedication.

Especially needed is recognition of the plain fact that our society has done no more than climb the foothills; the mountain top is a long way off. On the technological front, certainly, there are still challenges galore. Perhaps attention should be shifted from outer space to the Earth's crust. Thus far the deepest we have dug is not much more than a mile. Underground housing has been experimented with here and there, but there is room for a tremendous development in this field — as any visitor to the underground home at the last world's fair in New York will attest.¹ It would not be out of the question to put a whole city underground. As our reserves of basic metals and other resources, that we don't know how to replace in kind, become exhausted there will be increasing need for the production of substitutes from the sand and other substances that are available in inexhaustible amounts. It's unlikely, but scarcely inconceivable, that the problem of transmutation may be solved — the dream of the ancient alchemist. Our great railroad system is almost prostrate, but it could be

¹ For the first outline of the possibilities of underground construction see the author's "On Going Underground," *Michigan Quarterly Review*, January, 1962, and a discussion of this article in the Sunday edition of the *Detroit Free Press*, March 31, 1963.

restored and greatly advanced. Why not have tubes crossing the continent through which both passenger and freight trains could move at speeds of two or three hundred miles per hour? These few suggestions are only a small sample of major possibilities.

And minor improvements — of the zipper class — are possible by the thousand. We still don't have a pitcher from which we can pour our cream or syrup without dripping! Or even a cereal dish with a slanting bottom, so that we can cream our corn flakes, by stages, without soaking the whole dishful. And when is somebody going to come along with a good transparent plastic storm window, to be hung inside on a roller, so the householder can put it on or off in a twinkling?

In conclusion I feel obliged to return to the point that we can't put our feet back on the path that may lead, eventually, to the highest peak, unless we abandon the downhill track on which we are now chugging along toward the mistaken goal of complete government control and operation — the socialist state. Here is the crucial difficulty that must be overcome if an upward course is to be resumed. And daydreaming, disorder, and destruction won't help us to make the shift.

CLARENCE B. CARSON

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6

The Mercantile
Impasse

WHAT PROVOKED the American colonists to resist British acts, to rebel against restrictions placed upon them, and eventually to declare and effect their independence? To put the matter in more conventional terms: What caused the American revolution?

Men who have spent years studying the questions propound different answers. Some hold that the British mercantile system provided the provocation to revolt. Others have held that the American colonists benefited from mercantilism and that, this being so, mercantilism was hardly at the root of the difficulty. Another thesis that has been argued, most persuasively by Lawrence Henry Gipson, is that the American colonies had attained a level of maturity that made them no longer dependent upon Britain and no longer desirous of the connection. Some historians have gone so far as to charge that American debtors with the desire to rid themselves of pressing British creditors stirred up resistance and brought off a revolution. Those looking for a class struggle explanation of the conflict have tried to make the revolt against Britain a part of an internal struggle be-

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tween the haves and have-nots. In short, almost every interpretation that could be imagined has been offered, and many of these have been buttressed by impressive arguments and such evidence as fitted them.

One thing is about as clear as such things can ever be: mercantilist acts did not provoke the initial resistance in the mid-1760's. The Stamp Act of 1765 was not a mercantilist act, nor was the Sugar Act of 1764 primarily mercantilistic. Indeed, the Sugar Act altered some of the original mercantilist features of the Molasses Act of an earlier date. Moreover, there had been mercantilist restrictions on the American colonists for more than a century, and none of these had provoked violent resistance. There can be no doubt that colonists were long since used to mercantilist restrictions, and peoples are unlikely to revolt against that to which they have become accustomed. The fact is that when representatives of the colonists gathered at the Stamp Act Congress to air their grievances, they announced that what they fundamentally opposed was "taxation without representation" a thing contrary to the British constitution. They readily granted — at first — that Britain had the right to regulate their commerce. It follows, then, that the immedi-

ate provocation to resistance was not mercantilist measures.

But this is only to look at things from the surface and to wrench them out of a much broader historical context where they belong. Suppose that instead of asking why and what the colonists resisted we ask why the British persisted in passing measures which provoked the colonists. More directly, why did Parliament attempt to raise revenues from the colonies in ways that departed from custom and long established policy? Why did they lay direct and indirect taxes on the colonies?

For Revenue Only

The answers to these questions are not far to seek. The British government was in dire need of new sources of revenue. The wars of the eighteenth century had been highly expensive, and the indebtedness of the government was mounting. The debt in 1755 — just prior to the Seven Year's War (or French and Indian War as it was known in America) — stood at about £75,000,000. By 1766 it had mounted to £133,000,000.¹ The British people were heavily taxed, and new taxes were being added. The reaction in the mother country to an added tax on do-

¹ Lawrence H. Gipson, *The Coming of the Revolution* (New York: Harper Torchbooks, 1962), pp. 55-56.

mestic cider is instructive. "The news of the passing of the cider act was the signal for 'tumults and riots' in the apple-growing countries of England, and many producers of cider threatened to cut down their orchards if the excise were collected."² In short, the heavily-taxed British were in no mood to accept additional burdens.

By contrast, American colonists were generally lightly taxed, and several colonies had no government debt to speak of. For example, one historian describes the situation in Pennsylvania in this way: "Not only were the inhabitants relieved of all *ordinary* charges of government during the years 1760-63 but, aside from a revived excise tax on liquors, they also enjoyed such relief during the remainder of the period down to the Revolution. Moreover, the personal and estate taxes . . . represented a per capita levy of less than one shilling. . ." by 1775.³ A report from Maryland in 1767 indicated that "all levies for the support of the provincial government — in contrast to those for the support of the clergy, the schools, and other county and parish charges — amounted to less than £5,500, an annual per capita tax of about a shilling."⁴ Though not

all the colonies had such a pleasant tax situation, neither was it generally unpleasant. On top of this, colonial governments had been reimbursed for their military outlays during the French and Indian War.

If these conditions be accepted at face value, if there be no looking behind them, it would appear that the case for Britain's taxing the colonists would certainly be understandable and probably justifiable. But the situation does warrant an examination of the background. British taxation of the colonists broke a long-term contract with them — so the colonists said — and heralded a major policy turn. Back of this policy shift were the mercantilistic policies and practices which had produced a domestic crisis for the British which their government tried to relieve by bringing pressure on the colonies.

Bitter Fruits of a Long History of Mercantilism

The contradictions of mercantilism had produced a long harvest of bitter fruit, some of which the British government and people were no longer willing to accept. No more, in justice, could the American colonists be expected to accept them. It is true that the debates of the 1760's and 1770's were not usually conducted in

² *Ibid.*, p. 58.

³ *Ibid.*, p. 136.

⁴ *Ibid.*, p. 138.

terms of mercantile policy. The contradictions were there, and policy changes should be viewed in the light of them. During this time, Adam Smith was putting together his monumental work, *The Wealth of Nations*, which laid bare the fallacies and contradictions of mercantilism. It may be accounted appropriate, too, that this work appeared in print in 1776, the same year as the Declaration of Independence. A little examination into British mercantilism will show its role in producing an impasse between Britain and America.

Mercantilism was a composite of ideas and practices which had grown helter-skelter over a couple of centuries before the revolt in the American colonies. Most of the ideas were formulated in the seventeenth and eighteenth centuries, but some of the practices associated with it are much older. The theory of mercantilism was the first faltering effort at devising a general theory of economics in the modern era. As some thinkers cut loose from a Christian framework and attempted to look at things naturally, they devised a crude economics to fit new preconceptions. The theory was weighted down with two assumptions, however, which were cultural in origin rather than natural.

Measured in Gold

The first of these assumptions was made up largely of what is commonly called the bullion theory. Bullionism is the notion that wealth consists of precious metals, particularly gold, and that the value of everything else derives from the fact that precious metals will be exchanged for it. It is understandable that men should have come to think in this way. Gold was the most universally acceptable medium of exchange in both East and West. It hardly deteriorates; it weighs little in proportion to its exchange value for other things; it has many practical uses; and it is malleable. Men ever and again mistake money, because it can be exchanged for goods, for the source of the value which their demand gives to the goods. Small wonder, then, they should make this confusion about gold when gold is valued as a commodity as well as a medium of exchange.

The second major assumption of mercantilism was nationalistic. That is, mercantilists thought exclusively about how a single nation might enhance its wealth by increasing its supply of gold. One nation's wealth, as they saw it, was usually gained at the expense of another nation. Ordinarily, one nation gains gold from another nation which is losing its supply.

(It is interesting to speculate that mercantilistic theory and practice may well have been born out of the intense desire of many countries to separate the Spanish from the great hordes of gold they had found in the Americas.) According to the bullion theory, then, one nation's wealth is increased by diminishing that of another.

Intergovernmental Affairs

The thrust of mercantilism was to make trade into a contest among the governments of nations. This was so because trade was now conceived of as a potential means for increasing the bullion holdings of a nation. This would be accomplished, according to mercantilists, by way of a favorable balance of trade. A favorable balance of trade is said to exist when the goods and services which one nation sold to another exceeded those bought from the other. In brief, a nation had a favorable balance of trade when exports exceeded imports. This was thought to be "favorable" because the difference would be made up in gold and the "wealth" of the nation thus favored would be augmented. A nation which imported more than it exported would, of course, have an unfavorable balance of trade.

Numerous practices which might help a nation to get a favor-

able balance of trade were contrived or justified by this theory. The practices were usually aimed at increasing exports and decreasing imports. Imports could be decreased if more of the goods consumed in a country were produced there. To that end governments encouraged manufacturing by special charters and encouraged the growing of certain crops by subsidies and bounties. Of course, imports were more directly discouraged by tariffs, quotas, and discriminatory charges levied against foreign suppliers. Similar practices also might help a country to increase its exports.

Colonies were conceived of as being particularly valuable in enhancing the wealth of a nation. Frequently wanted were raw materials for manufacturing as well as produce which could not be grown economically at home. If such exotic products could be acquired from colonies they need not be imported from some other country. In addition to this, a colony might have an unfavorable balance of trade with the mother country and thus be a source of the precious metals it would send to make up the trade deficit.

The American continental colonies were part of a British empire which had been shaped in the seventeenth and eighteenth centuries as a result of the mercan-

tile policies of England. Initially, the kings of England had attempted to plant and benefit from colonies by granting them as monopolies to private companies and proprietors. These companies and individuals were empowered to regulate the activities of those who came over so that the undertakings would benefit the owners and, perchance, enhance the wealth and power of England. Things did not work out that way very consistently. Colonists frequently cared little enough about whether they benefited the original charter holders or not; instead, they concentrated their efforts on doing what was to their own benefit. Moreover, as colonists gained some measure of control over their governments, they often enacted their own mercantile policies with the intent of making a colony self-sufficient.⁵ Such action ran counter to British aims, of course.

Acts of Intervention

By the mid-seventeenth century, then, Britain was ready to begin to impose a general system of mercantile restrictions on the colonists.

The most general of the mercantile acts are those known as the

Navigation Acts. A series of these acts was passed over the years from 1651 through 1663. The number of acts passed was increased because legislation passed in the 1650's was considered invalid after the restoration of monarchy in 1660. This being the case, the later acts are the only ones that need concern us here. The Navigation Act of 1660 — re-enacted in 1661 — required that all trade with the colonies be carried in English-built ships which were manned predominantly by Englishmen. "English" was defined for this purpose to include the inhabitants of the colonies. All foreign merchants were excluded from the commerce of the English colonies, and certain enumerated articles, e. g., tobacco, could only be exported from the colonies to Britain or British possessions. The Staple Act of 1663 provided that goods to be exported from European countries to English colonies must first be shipped to England.

"These acts intended to give England a monopoly of the trade of her colonies," one historian notes:

— not a monopoly to particular persons, but a national monopoly in which all English merchants should share. The Staple Act meant not only that English merchants would get the business of selling to the colonies but also that English manufacturers

⁵ See E. A. J. Johnson, *American Economic Thought in the Seventeenth Century* (New York: Russell and Russell, 1961), pp. 8-29.

might dispose of their wares at an advantage in that the foreign goods which had to pass through England en route to the colonies might be taxed, thereby raising their prices and enabling English goods to undersell them. Similarly, the enumerated article principle assured that most of the colonial staples important to England would be exported by English merchants, who were also guaranteed employment for their vessels through the exclusion of foreign vessels from the English colonies.⁶

Parliament passed another Navigation Act in 1696, but it was only an effort to tighten the administration of existing law rather than to add new features.⁷

British legislation also attempted to prevent certain kinds of manufacturing and trade from developing in the colonies. The Woolens Act of 1699 prohibited the export of wool or woollen goods from a colony either to other colonies or to other countries. The Hat Act of 1732 prohibited the exportation of hats from the colony in which they were made and limited the number of apprentices a hatmaker might have. The Molasses Act of 1733 placed high duties on molasses, sugar, and rum imported into the colonies from any source other than Brit-

ish colonies. This was an attempt to give the British West Indies a virtual monopoly of the trade. It may also have been intended to increase income from the tariff or to reduce the shipping activities of New Englanders. The Iron Act of 1750 permitted pig iron to be exported from the colonies to England duty free but prohibited the erection of new iron mills for the finishing of products in the colonies.

There were other types of mercantile regulations than those above. Over the years, it was usually illegal for specie (gold coins) to be exported from England to the colonies. The British tried to encourage production of wanted goods in the colonies by paying bounties. For example, the British government paid these premiums to importers of colonial naval stores: "£4 a ton for pitch and tar; £3 a ton for resin and turpentine; £6 a ton for hemp; and £1 a ton for masts, yards, and bowsprits."⁸

The purpose of all these regulations and restrictions was to make the colonies profitable to Britain, of course. To that end, the colonists were encouraged to produce goods which could not be competitively produced in England, discouraged to compete with the mother country, encouraged to

⁶ Curtis P. Nettels, *The Roots of American Civilization* (New York: Appleton-Century-Crofts, 1963, 2nd ed.), p. 283.

⁷ *Ibid.*, p. 375.

⁸ *Ibid.*, p. 434.

send specie to England, discouraged from receiving specie from that country, and discouraged from developing markets in America which could serve either England or other countries. There were, however, many unwanted side effects of these policies. They are commonly referred to as the inner contradictions of mercantilism.

The Road to War

The most dire result of mercantilism was war. Indeed, some believe that mercantilism did not so much lead to war as war led to mercantilism. One writer says that the "needs of constant warfare, especially its costs, had encouraged every power to develop and marshal its resources, attempting to become self-sufficient, especially in the sinews of war. . . . This economic nationalism, generally described as *mercantilism*, is less a theory than a weapon — the use of economic means to serve political ends."⁹ There is no doubt that mercantilist methods were used sometimes in warfare, but the usual causal relation is the other way around. Mercantilism ranges government power behind the commercial activities of a nation, uses govern-

ment power to support the merchants of a nation against those of other nations, prohibits trade activities of foreigners in order to give advantages to native tradesmen. In order to support or protect their tradesmen, other nations retaliated with similar restrictions and sought colonies which would be protected trade areas for their people. If trade is free, competition is peaceful, but mercantilism shifts the contest into the realm of governmental power. When governments contest for advantage in this way they are moving in the direction of the ultimate recourse — war.

Such were the results of mercantilism in the seventeenth and eighteenth centuries. War followed upon war with monotonous regularity as naval and colonial powers contested with one another for dominance and advantages. The wars between the British and Dutch in the mid-seventeenth century were clearly mercantile in origin and character. Nettels notes that the Navigation Act of 1651 "precipitated the First Anglo-Dutch War of 1652-54."¹⁰ Further, he says that the "acts of 1660-63 threatened to exclude the Dutch completely from the English colonies and consequently new fuel was added to the old rivalry. In 1664 occurred the Second Anglo-

⁹ Eugen Weber, *A Modern History of Europe* (New York: Norton, 1971), pp. 145-46.

¹⁰ Nettels, *op. cit.*, p. 281.

Dutch War. . . ."¹¹ It was not simply incidental, either, that during this conflict the English gained control of the Middle Colonies in America. A third war broke out in 1672. "Although a Dutch fleet recaptured New Amsterdam in August 1673 the treaty of peace in 1674 once more restored it to England — an act which marked the passing of the Dutch menace to England's North American trade."¹²

Impact on the Colonies

Unfortunately, it did not end the rivalry in North America nor the train of mercantilistic wars. France was now emerging in the latter part of the seventeenth century as a major power under the aggressive leadership of Louis XIV. Louis courted English monarchs so that they would allow him room to operate to fulfill his ambitions on the continent of Europe. The courtship may have been the undoing of Charles II and James II; at any rate, it came to an end with the Glorious Revolution in 1688. A Dutchman, William of Orange, became William III of England and joint ruler with his wife Mary during the rest of her lifetime. In very short order, Britain went to war with France (King William's War) and by so doing began a se-

ries of conflicts with that nation which did not finally end until the Congress of Vienna in 1815. Since other nations and their possessions were usually involved in these conflicts between England and France, these wars may well be called world wars.

While King William's War of the 1690's was ostensibly fought to maintain a balance of power in Europe, the colonies were at stake, also, at least potentially. One history indicates that in issuing his declaration of war "William took cognizance of the offenses of Louis' subjects in America against the English colonies there — in Newfoundland, in Hudson Bay, in the West Indies, in New York, and in Nova Scotia."¹³ Though there was considerable fighting in America, there were no significant territorial changes as a result of that war.

Maps of North America showing territorial possessions of European powers and changes in them from 1700-1763 indicate something of the bearing of the colonial situation on the great wars of this period. In 1700, the English held only a relatively narrow strip of the eastern coast of North America from New Eng-

¹³ Max Savelle and Robert Middlekauff, *A History of Colonial America* (New York: Holt, Rinehart and Winston, 1964, rev. ed.), p. 261.

¹¹ *Ibid.*, p. 283.

¹² *Ibid.*, p. 284.

land to Georgia, with claims running back to the Appalachian mountain chain generally. Most of the territory which is now Canada was then claimed by France, along with the vast hinterland region drained by the Mississippi River. South and west of these were the extensive Spanish possessions. The English hold on the continent was still precarious, and the colonies were surrounded except on the side of the Atlantic Ocean by territory claimed by other European powers. This situation would be dramatically altered by 1763 as a result of the wars.

A Struggle for Control

The War of the Spanish Succession (1702-13, known in England as Queen Anne's War) was fought over issues which were tied to the question of who would dominate the Americas. Louis XIV was determined that his grandson should become king of Spain immediately and should eventually succeed him to the throne of France. This would not only bring under one person two great powers in Europe but would also link two massive empires in America. This was an intolerable prospect for England. As one history puts the matter: "For Holland and England, it was a war over colonies and trade. These two countries were determined to prevent a union of the

French and Spanish crowns; but they were above all determined to prevent France from getting into a position to block their own commercial and territorial ambitions in America."¹⁴ At the conclusion of the war, provisions were made for perpetual separation of the French and Spanish crowns, and Britain gained new territory in America: Newfoundland, Acadia, and the Hudson Bay territory.

England got involved in war with Spain in 1739, known as the War of Jenkin's Ear, and a part of the struggle was over possession of Georgia. There was some fighting in America, but it was very limited, for the conflict shifted to Europe and the more general convulsion known as the War of the Austrian Succession (1740-48). This war did not result in any territorial changes, though there were changes in alliances on the continent of Europe which affected future events.

The peace that followed this second of world wars in the eighteenth century was unusually brief. The French and Indian War broke out in America, 1754; it involved most basically a contest over territory in what is now western Pennsylvania between the French and Indians on the one hand and the British and English Americans on the other. As an extension of this

¹⁴ *Ibid.*, p. 265.

conflict, a general war broke out in Europe in 1756, known as the Seven Year's War. A major conflict continued in America, reaching its climax with the Battle of Quebec in 1759. There the British forces decisively defeated the French. By the Treaty of Paris of 1763, the British got all the French Canadian holdings and French and Spanish territory east of the Mississippi.

Triumphant, and Broke

The British had apparently emerged triumphant in these wars against France. The American colonies now had an extensive domain to be opened up and exploited; it was a long way to the frontiers of any other European colonial power. A vast British empire had been acquired and was ready for the shaping.

So it may have looked to an imperialist, but the British Parliament and people were confronted with grave difficulties in the wake of the apparent triumph. There was, as earlier told, a huge debt in England in 1763 as a result of the wars. It was a debt of a size that would most likely dwarf all the profits gained thus far from mercantilist policies. But even if the balance books had stood otherwise, the contradictions of mercantilism would still, most likely, have produced an impasse.

One of the fallacies of mercantilism is that the wealth within a nation constitutes the wealth of a nation. Wealth in Britain was not distributed among the inhabitants equally but individually possessed. Undoubtedly, some merchants, manufacturers, shippers, and tradesmen extracted great wealth as a result of special favors within the mercantile system. But this need not have increased the wealth of the populace in general. Indeed, when it is understood that mercantile policies restricted the entry of goods from other lands and raised their prices, it becomes clear that the populace in general frequently suffered rather than benefited from mercantilism. When the burden of taxes to pay for mercantile wars was added to this — taxes levied on the populace in general — it is easy to understand why there was widespread dissatisfaction in Britain.

Of course, the British government did not proclaim mercantilism a failure. Even if this had been clearly understood at the time, it is doubtful that those in power would have reversed their policies. At any rate, they did not do so. Instead, they laid the blame for difficulties on American evasion of mercantile restrictions, determined to enforce them more vigorously, and declared that the Americans must be taxed to help

pay for the wars, a portion of which had been fought in their defense.

This course of action seemed eminently fair to many Englishmen. After all, the colonists had been prime beneficiaries of British protection. Moreover, many Americans were reported to be living well if not luxuriously. Not only that, but to make matters worse, these colonists paid very little by way of taxes. Such expenses as they had incurred in the recent French and Indian War had been reimbursed from the British treasury. Surely, there could be no reasonable objection to mild taxation of the colonists. As a matter of fact, there could and would be, but we have not yet come to that part of the story.

Victims or Beneficiaries?

What is most relevant here is the impact of mercantilism on the American colonies. The question has been raised by some historians as to whether the colonists were not really the beneficiaries of British mercantilism rather than the victims. The fact that many Americans prospered under the system is submitted as evidence that they benefited from the system. There is also negative evidence that Americans had rough going economically after the break from England. The reasoning un-

derlying this argument confuses *because of* with *in spite of*. The thrust of mercantilism is not such that it would produce prosperity in general for those on whom it is imposed. Its thrust is to siphon resources from the colonies (and other countries) into the mother country. To restrict manufacturing, to deny the development of local markets, to constrict intercolonial trade, and to make the mother country the port of entry for many goods could hardly benefit the colonists generally.

Perhaps the most fundamental flaw of mercantilism is the view that a nation's wealth can be increased by exporting more in goods and services than is imported. This policy was quite harmful to colonies without providing corresponding benefits to Britain. The British succeeded in a "favorable" balance of trade with the American mainland colonies. The most immediate effect was the gold drain from the colonies to Britain. This tendency was augmented by prohibiting the export of gold from Britain. Moreover, many of the ways by which the colonists might have made up the difference were denied to them by mercantile restrictions.

In consequence, the colonists suffered a shortage of specie. The practical effect was that colonists paid higher prices for goods com-

ing from England than they would have had to do if a free market in gold had existed, because gold was more plentiful in Britain than in America. It is even doubtful that British merchants benefited from this situation as much as might be supposed, for they usually made loans to Americans to enable them to buy their goods. Americans also had their credit in England augmented by such payments as reimbursement for participation in wars (an augmentation at the expense of British taxpayers).

Much of the economic activity within the colonies was an uphill effort to overcome the ill effects of mercantile policies. Probably, the fixing of slavery so extensively can be ascribed in the main to mercantilism. (British policy was opposed to the emancipation of slaves because slaves were frequently collateral for loans.) Planters were driven to expand their production — to the acquisition of more and more slaves — in the often vain hope of balancing their trade. The Triangular Trade by New Englanders, which included the slave trade, was an extended effort to get specie. The paper money emissions which became so common toward the close of the period were efforts to deal with the monetary crisis. Of course, many of the ef-

forts of colonists to find ways to deal with the situation were prohibited before they were well established.

In sum, the break from England was preceded by an impasse attributable to mercantilism. More than a century of wars had been fought in the pursuit of mercantile aims by Britain. These had left a heavy burden of debt which the British people found hard to bear. Thus, the government turned to the colonies as a new source of revenue. But the colonies were hardly in a position to take on the burden. They were already drained of specie, and many colonists were deeply and perpetually in debt to British merchants. To say that they were lightly taxed at home answers nothing as to what the effect of British taxation would be. Mercantile restrictions imposed barriers between Britain and the colonies. An imbalance of trade already existed, with the colonies on the "unfavorable" end of that. Tax payments to Britain could only be made by reducing imports or going deeper in debt to British lenders. When the time came for resisting, colonists made their justifications along different lines than those above, but what they were resisting had been brought on by the mercantile impasse. ❁

Next: The First American Crisis: 1763-66

The Genius of the West

WE, in the West, are supposed to hang our heads in shame these days. The bill of complaints brought against us is long. We are "imperialists." We are "materialists." We have used the "Third World" as a quarrying ground for raw materials without giving adequate compensation for what we have taken. We indulge ourselves in race prejudice. We are enemies of freedom, and we oppose the revolution of the masses. Our sons and daughters, listening to the vindictive chorus, begin to go over to the side of our detractors. Susan Sontag, a young literary critic, even goes so far as to say that the white race (meaning the nations of the West) is the cancer of humanity.

The whole bill of alleged particulars is, of course, the sheerest moonshine. So it is good to come upon Louis Rougier's *The Genius of the West* (Nash, \$8.50), with its

discerning introduction by F. A. Hayek. As one in a series of publications issued by the Principles of Freedom Committee this book turns to the historic record of three millennia to prove that Western civilization, alone among twenty-two distinctive civilizations recognized by Arnold Toynbee, has managed to avoid the quagmires of fatalism. It is the only civilization that has been moved by a belief that man can improve his condition by understanding and mastering the forces of nature. And, far from "oppressing" the "Third World" and the "colored races" by its "imperialistic" urges, it is the West that has brought the hope of progress to many a land that now joins in thoughtless excoriation of the very spirit that has created all the things that are now claimed as a universal birthright.

Lucky Accidents

In one sense the "West" is the result of a happy concatenation. It could have gone down the drain at numerous points if lucky accident had not intervened. The Greeks, who demythologized nature and demonstrated the logical necessity of abstract relationships, thus giving substance to "reason," gave us the beginnings of theoretical science. With the rise of the city-state, they developed the idea of the rule of law as something better than capricious government by men. Greek rationalism created free men, and free men, using geometric hypotheses, physical instruments and mathematical devices, learned how to conquer space and time. Their maps made them better voyagers, better traders. And, with a mastery of the sea extending their reaches all over the Mediterranean, they hit upon the virtues of money and the market economy.

Rome superimposed order on Greek liberty without killing it. But Rome, with its conquests, took more slaves than the Greeks had ever taken. In Louis Rougier's opinion it was the institution of slavery that brought about the collapse of the ancient world. With slaves to do the work, the inventions of Archimedes — the lever, the wedge, the pulley, the worm screw, the winch — were regarded not as labor-saving necessities but

as mere intellectual playthings. The prejudice against any practical application of the mechanical arts was so strong that Archimedes, so Plutarch tells us, never bothered to leave any written treatise on his accomplishments. And when Heron invented a device involving the principle of the steam engine in ancient Alexandria, it was used only for childish amusements such as making marionettes dance and toy trumpets blow. It apparently never occurred to Heron that he might have lightened that most exhausting task of women, the grinding of grain.

With more and more slaves at their disposal, the Romans had even less reason to develop the "mechanic arts" than the Greeks. Conquest after conquest brought more captives to till the extensive acreage of the Roman latifundia. The small peasant landholder, unable to meet slave competition, drifted into Rome to join the plebs who clamored for bread and circuses and got what they wanted from corrupt politicians. Thus Rome decayed, and 40,000 slaves eventually joined Alaric in the sack of the city that liked to think of itself as eternal.

The Christian Contribution

The Christian church, which rose on the ruins of the ancient world, had no particular interest in the

things of this world. But it condemned the enslavement of prisoners as an infringement of God-given human dignity. And, since Jesus had been a carpenter and St. Paul a tent-maker and St. Peter a fisherman, it saw no reason to object when the monks in the first monasteries made a virtue of work. In time the Middle Ages developed an entirely different attitude toward labor-saving devices than was prevalent in Greek and Roman times. Louis Rougier makes a fascinating story of the linkage between the "social revolution of Christianity" and the development of the water mill, the wind mill, the hydraulic hammer, and the various lifting tools that were needed to cover Europe "with a white robe of cathedrals." Without intending it as such, the church unleashed something of a medieval technological revolution. Slaves became serfs, cities grew, and the stage was set for the "new humanism" of the Renaissance.

The Christian attitude toward work was the first lucky break of the West in the time of Rome's collapse. But work, with its premium on practical inventions such as the lifting jack, would not have flowered in a scientific revival if the church itself had not changed sufficiently to permit a secularization of life during much of the working week. By a second lucky

accident the elders of the City of Florence happened to entertain a Byzantine scholar, Manuel Chrysoloras, who was traveling in Italy on a diplomatic mission. The Florentine elite flocked to hear Chrysoloras tell about Homer, Plato, Thucydides, and Xenophon, and soon there was a horde of Florentines descending on Byzantium, buying forgotten Greek texts. If it hadn't been for the rediscovery of the Greek and Latin writers whose works had somehow survived the great burning of pagan documents that marked the advent of Christianity, the modern scientific, economic, and political revolutions would never have come to pass.

Inquiry Halted in Orient

During the so-called Dark Ages, Arab civilization seemed to promise much more than anything that was happening in western Europe. And the Chinese were way ahead of the West in such things as the use of coal, gunpowder, and printing with movable letters. But the Turks, as Louis Rougier puts it, "imposed their heavy yoke on Islam; and Islam, returning to its sources, paralyzed inquiry with a formula which brooked no answer: Allah aalam, God knows best what is." As for the Chinese, instead of trying to dominate nature they sought an adjustment that stressed finding contentment in the midst

of poverty and adversity. The Hindus, with their caste system, permitted no invigorating circulation of elites. So it was the West, with its legend of Prometheus, who stole fire from the gods, that was left to push the idea of progress.

Now, even as they revile us, the Islamic, Confucian and Hindu worlds are clamoring for all the benefits that the West has developed through three millennia of the activist attitude. We need not begrudge them their desires. But the notion that the West need apologize for its history is too ridiculous for words.

► POLITICALLY IMPOSSIBLE...?

by W. H. Hutt (London: The Institute of Economic Affairs, 1971), 100 pp. (\$1.80).

Reviewed by Henry Hazlitt

W. H. HUTT is one of the outstanding economists of our age. Born in London, professor and later dean of the Faculty of Commerce at the University of Cape Town, and recently visiting professor at a number of American universities, he has published half-a-dozen books of which the two most influential have been his short *Theory of Collective Bargaining* in 1930 and the 446-page *Keynesianism — Retrospect and Prospect* in 1963.

His work has been distinguished

not only for remarkable acumen but for no less remarkable independence and courage. The present paperback is devoted to trying to instill some of his own candor and courage into his professional colleagues.

For what Professor Hutt finds is that most of these colleagues, particularly in the last forty years, have become increasingly poor economists in the effort to become "realistic" politicians. Whenever an honest economist has come up with a recommendation, based on principle, for the outright repeal of some entrenched bad law or discontinuance of some other disruptive government policy, not only the political demagogues but his own colleagues have dismissed his recommendation as "politically impossible." As a result, more and more economists have abandoned candor, refrained from even suggesting the "politically impossible" proposal, and instead have put forward compromise proposals that they think have a political chance of being adopted. Or they have sought a reputation for influence by recommending what they thought was going to be done anyway. Or they have resorted to outright demagoguery in calling for some new form of inflation, control, socialism, or seizure. The result has been a deplorable degeneration in economic thought.

Hutt illustrates his thesis in four separate fields — monetary policy, income transfers, Keynesianism, and the strike-threat system. His comments on particular economists are candid and sometimes unsparing.

Keynes, for example, he points out, gained his great reputation among his colleagues as well as with the general public by pretending that he had found an easy way out of unemployment and depression. This consisted of cheap money, government deficits, and inflation. The word "inflation" itself was suspect. "But an inspired insight enabled the Keynesians to perceive that, if called something else, 'the maintenance of effective demand,' for instance, it can become respectable."

Under no conditions did Keynes want to risk offending the unions by suggesting that they were even partly responsible for creating the mass unemployment of the 1930's by pushing up and keeping up wage rates to unworkable levels. So he invented the untenable "unemployment equilibrium" theory:

"Keynes, perceiving that it would be politically suicidal to mention the unmentionable, saw a way out through the most successful conjuring trick in history which, deceiving an audience that wished to be deceived, led to its being hailed as a great discovery,

as revolutionary and important as Einstein's theory of relativity. I am not accusing Keynes of intellectual dishonesty. He deceived himself with his 'conjuring trick.' That is how I have come to regard his 'unemployment equilibrium' notion, together with the subsidiary theories with which it was bolstered."

What is now commonly dismissed as "politically impossible" usually turns out on closer examination to be merely the politically difficult or politically unlikely. It is only made more difficult and more unlikely when economists lose the courage even to propose it. Hutt's book is essentially a plea to his professional colleagues for more honesty and candor:

"No policy which is for the advantage of the people is incapable of being effectively explained to them. It will of course take time and persistence to convince a majority. In the meantime compromise will be needed whenever urgent steps are required. But compromise, while it is the politician's privilege and necessity, is the scholar's deadly sin — unless it is presented clearly and unmistakably as compromise and is always accompanied (a) by the noncompromising proposal and (b) an explicit explanation of the vote-purchase reasons for the compromising proposal."

This "dual form of exposition," as Hutt calls it, would certainly be a great advance compared with the present typical ambiguity and disingenuousness. Yet, while there is only one ideal course, there are usually an indefinite number of possible compromises. If each economist plumps for one of these, in accordance with his own amateur notions of its political feasibility, the conflict among their recommendations may only end by confusing public opinion. In the long run it seems better for the economist to point to the path of principle, and leave the compromises to the politicians.

▶ FINANCIAL POLICY IN A CHANGING ECONOMY

by Enders M. Voorhees (Lebanon, Penna.: Sowers Printing Company, 1970), 232 pp., \$5.00 (Plus tax, where applicable.)

Reviewed by Melvin D. Barger

BY PRESENT standards, the economic changes of the 1943-1955 period appear to have been modest. Inflation was in motion, but not galloping. There was social upheaval, but not open rebellion. Business was under attack, but the attacks were not wildly out of control.

The stage was being set for further trouble, however, and many thoughtful persons knew it. One

astute business executive who smelled the future was Enders M. Voorhees, chief financial officer as well as articulate spokesman for U.S. Steel Corporation until his retirement several years ago. Mr. Voorhees' speeches and writings during that 12-year period have been preserved in book form in *Financial Policy in a Changing Economy*, a privately published volume which should serve as a valuable source book for business historians and economists.

Mr. Voorhees' views are important for several reasons. One, he was in a key position as the chief financial officer of the steel company long known as the industry "pacesetter." Secondly, he is a vigorous champion of the free market, and uses a substantial stock of facts to document many of his arguments. Third, he was a tough fighter who took his arguments to Congressional committees and other influential groups in an effort to steer a safe financial course for his company under greatly changing conditions.

You catch the tone of Mr. Voorhees' thinking in the very first chapter, a commencement address entitled "The Uncommon Man." This is a term which harks back to other libertarian thinkers, and Mr. Voorhees leaves little doubt that he favors giving the individual considerable elbowroom for

creative accomplishment. He is also suspicious of special interest groups. He remarks, "Fancied wrongs seem real if you talk only to those of a similar fancy and soon you are likely to find yourselves organized into monopolies or pressure groups to get something for nothing from the other fellow who is assumed to be getting too much for too little." Prophetic words, particularly for a 1948 speech.

His other chapters tend to become more specific, but he frequently returns to this question of establishing genuine equity in business and economic relationships. In a brilliant chapter on specialized occupations (actually, a 1943 speech), he warns that the process of specialization may have "built up opposing rather than complementing groups whose strife for exploitative power can break up and disintegrate us, even as happened in France before the invasion." He warned of revolutionary theories that "boil down not only to eliminating the tithe of the miller but insisting that he furnish flour without wheat being brought to him." Now that such theories seem to be popping out of the very woodwork, it is interesting to note that Mr. Voorhees made this comment 28 years ago.

Since most of his speeches focused on corporate financial prob-

lems, Mr. Voorhees' book is another reminder of the delicate balancing act that financial officers must perform to keep a large-scale enterprise alive and functioning. Many critics, in the 1940's and 1950's, saw U.S. Steel as the dominant partner in an "oligopoly" that could administer prices at will and manipulate its business environment as it pleased. But it didn't look that way to Mr. Voorhees. He saw U.S. Steel as an extremely vulnerable organization that could virtually be wiped out by a few years of unfair taxation practices or shortsighted financial controls. His frequent warnings against the dangers of insufficient depreciation charges and exorbitant wage settlement seem more timely today, with American steel companies steadily losing ground to more efficient foreign competitors. At the same time, the recent Penn Central and Lockheed crises are grim proof that even giant corporations do not have unlimited resources and must work under the iron disciplines of the market if they are to survive.

Many of Mr. Voorhees' talks before Congressional committees came when historic issues were being fought out in labor-management relations and other areas. In some cases, of course, the battle was lost and the struggle has moved on to new fronts. As a rule,

however, the present troubles involve principles that do not grow obsolete and cannot be repealed by compulsions and legislation. Currently, for example, reformers warn that business must solve society's many problems "or else" the government will step in and do it for them. "The 'or else' connotes that the perfect state lies ready and willing to take over," Mr. Voorhees said in 1943. "If that were the case and if only the cupidity of private owners stood between us and perfect material happiness, I am sure we should all stampede to the arms of the perfect state." There are many other such gems in Mr. Voorhees' writings. "If we want ample tools of production and the jobs their presence creates, we had best set up in America a social atmosphere endorsing rather than condemning ample dividends and the profits which make them possible," he said in 1949. And in an earlier talk: "We shall not forget that at the end of every tax plan is a human being. And I need not remind you that human beings are not abstractions." And, "Management has no weapon to point at customers' heads to match the strike weapon that labor leaders flourish."

But if there's any chapter in the book that should be carved on stone tablets for all time, it's prob-

ably one entitled, "Needed - Dependable Dollars." Written 21 years ago (when inflation was supposedly mild), it deals with the endless problems that arise simply because the currency is being manipulated and diluted. "Almost every business calculation and estimate is bedeviled by the absence of dollar dependability," Mr. Voorhees said to students at Dartmouth College. Perhaps thinking of the West Germans who had only recently put their currency on a new basis, he added, "It seems to be those people who have had bitter personal experience of living under bad currencies who most appreciate good currencies and are willing to make some sacrifices to secure and maintain them."

His rundown of the problems caused by inflated currency almost appears to be a synopsis of the next 20 years' troubles: overstated profits, concealed confiscation of savings and other assets, increased labor-management conflicts, accounting problems, increased demands for subsidies, and wage and price fixing. It is as if Mr. Voorhees had been able to review the chaos of 1971 while preparing this 1950 speech.

Though written by a businessman of great distinction in his own industry, this book is not likely to be widely circulated or

quoted. Some of it is hard reading, challenging the reader to sort through charts, tables, and other lists of figures. There is also the fact that financial matters and terms can often be dry as dust. But the most likely reason it would be ignored is that the world still hotly pursues the disastrous policies that Mr. Voorhees deplored during the seemingly calm period of 1943-1955. That's all the more reason why it's well that his insights have been published in book form. It may turn out to be useful medicine when the popular nostrums have failed.

- THE LITTLE HOUSE BOOKS — A PIONEER CHRONICLE by Laura Ingalls Wilder (New York: Harper & Row Trophy Books, 8 Vols. 95¢ each)

Reviewed by Robert M. Thornton

THESE BOOKS were first published nearly forty years ago when Laura Ingalls Wilder was in her sixties. The eighteenth printing in cloth was run in 1970, and now we have the first paperback edition. Laura (I just can't bring myself to call her Mrs. Wilder) wrote the first book in the series without any plans to continue, but the enthusiastic response of young readers prompt-

ed her to keep going until the stories reached the time of her marriage to Almanzo Wilder on August 23, 1885 — eight volumes from a woman who as a young girl told her Pa that she could *never* write a book!

Laura was born in 1867, and lived for ninety years, most of that time with her husband on their farm near Mansfield, Missouri. Their daughter, Rose Wilder Lane, who died in 1968, is well-known to libertarians as the author of *The Discovery of Freedom*, a book which inspired Henry Grady Weaver's *The Mainspring of Human Progress*. Rose displayed her sturdy pioneer stock when at the age of 78 she was sent to Vietnam as a correspondent!

What is so fine and enjoyable about these "Little House" books? First, they take the reader out of his own world and into different places and earlier times, into the lives of the pioneers on the prairie in the 1870's and 1880's. What thrill is there reading about the milkman or the neighborhood grocer? Second, they make the reflective reader thankful for all the blessings we enjoy in the United States today. Laura writes of the fun she had as a girl on the prairie and the happy times with her family, but she does not romanticize her experiences. Life was hard in those days in an untamed land.

There were empty stomachs when crops were destroyed by fire, drought, locusts or storm. Sickness might mean death because doctors and medicine were scarce on the frontier. Everyone except the very old and very young had to work. The pleasures were simple — no radios, automobiles, televisions and the like. There was little money on hand, so Christmas presents for the children might be a penny and a stick of candy! There were happy times and terrible times, each a part of living.

Third, and most important, these books can help us recapture the spirit of the pilgrims, patriots, and pioneers who founded this nation and made it great. Part of that spirit is the taste for independence and a sense of individual responsibility. Laura's family didn't expect anyone else to take care of them. They took care of themselves and recognized that having freedom means the freedom to fail as well as to succeed. Another part of this great spirit is not to bemoan one's fate or complain about not getting one's "fair share" of the world's

goods. Another, is a sense of community where so much is accomplished on a voluntary basis, everyone pitching in to contribute whatever he can in time, talent and money.

In answer to inquiries about herself and her books Laura wrote:

"The Little House Books are stories of long ago. Today our way of living and our schools are much different; so many things have made living and learning easier. But the real things haven't changed. It is still best to be honest and truthful; to make the most of what we have; to be happy with simple pleasures and to be cheerful and have courage when things go wrong. Great improvements in living have been made because every American has always been free to pursue his happiness, and so long as Americans are free they will continue to make our country ever more wonderful."

It is no easy matter for today's children to learn these truths, but so long as these books are read the lessons will not be lost. 

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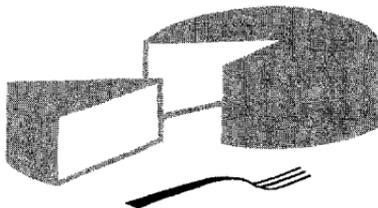
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Why can't we have both?

JEAN HOCKMAN



THE CURRENT political discussion in the United States centers on how to control the economy. Not *should* the government control the economy but *how!* The propriety of government intervention into the private financial affairs of the people is a question long overdue.

For years America has been trying to "solve the problem" of how to have her cake and eat it too. Expert and layman alike struggle to understand why the government can't spend money it doesn't have and still remain solvent; why we can't have government handouts without raising taxes; and why every American can't be financially secure, with enough left over to support the poor on a global scale. Just what miracle do Americans believe will be forthcoming?

Let us leave aside opinions of economic experts who insist that a government-managed economic system is necessary, or superior to, or consistent with freedom. (This last, despite the fact that the historical record of all such attempts reveals that the people are required to live in a state of forced subjugation to the leadership, in behalf of the nation and/or the "common good.") Instead, let us apply an ingredient that has all but vanished from the American scene — common sense.

Federal bureaucracy is spreading (unchecked) over our land like a fungus. And like fungus, it feeds off the main crop, i.e., the earnings of the people. A fungus is a parasite that attaches itself to healthy growth, gradually weakening and ultimately destroying it. If the fungus is caught and destroyed, the main crop will be free to re-

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cover and continue its healthy growth at its own speed. If the fungus is allowed to spread, it gathers momentum, perpetuating itself until there is nothing left to feed on. So it is with bureaucracy. It feeds and perpetuates itself first.

Bureaucracy Has First Claim

One needn't be an expert to figure out how it works; and further, that it can work no other way. In any society, some people produce more than others — and some produce nothing at all. But, the bureaucracy has first claim on all production, and siphons profits off the top. What seeps back to the people is considerably less than they have produced, thereby limiting their capacity for economic expansion and tending to lower their level of living.

We have been told repeatedly that "some" economic controls are necessary because men in private life are either unable or unwilling to successfully and honestly manage their own affairs. If this were true (of course, it isn't), one might logically ask the following question. By what magical means do men, hired by the government, suddenly acquire the wisdom and honesty to manage the economic affairs of the entire population? Apparently, we are expected to believe that people aren't capable of

"handling" freedom, but that the government is.

The first order of private business is to make a profit. It should go without saying that an unprofitable business is scarcely in a position to survive (much less expand) and is of no use to anyone.

Government a Profit Taker

But government is a profit *taking* operation. It is not economically productive, but economically dependent upon the earnings generated by the private enterprise of the people. If a government program is ineffective or inefficient (and which ones aren't?), the government does not account for the loss; it simply draws against the people's private earnings and business profits and perpetuates the loss.

Observe the rising clamor against American business for *making* profits, the demand that "excess" profits be penalized. Yet the biggest profit *taking* organization in this country, the Federal government, is being encouraged to expand its operations and create new agencies of economic control. To what end?

If the goal is to eliminate poverty and unemployment through economic prosperity, the expansion of business must be encouraged, not restricted; and the role of government reduced — not expanded.

Economic control does not lead to growth, progress, and prosperity. It never has and it never will. Economic control is the means by which government maintains total political control over the people, a fact which the American people will have to face sooner or later — one way or another.

Government intervention is always restrictive, and for this reason it is impossible for government to “manage” or “control” a free economy. It is a contradiction in terms — and in reality.

Communism Controls Through Force and Subjugation

If proof is needed, communism has proven for all to see that economic control can only be fully achieved and maintained through sheer force and total human subjugation. Socialism (the supposedly benign version of communism) is failing miserably in every country that has tried it. Under socialism the people are taxed unmercifully, and end up bickering among themselves and clamoring to their bureaucratic “benefactors” for a greater “share.” In short, economic control is a vicious, static, dead-end cycle that can only result in the ultimate loss of all human liberty and dignity, and a lowered level of living. (Note that fascism “permits” private ownership, but denies property rights and is

merely a variation of the same theme.)

This leads to a question which I ask now, and future historians may well ponder. Why did America abandon the free enterprise system, or more precisely — capitalism?

Do Americans really believe the communist propaganda that was deliberately designed to destroy the most successful economic system in the history of mankind? I am 35 years old, and I can't recall hearing a single American politician stand up and defend capitalism on the righteous grounds that it is entirely consistent with the Constitutional principles of individual liberty by which we are supposedly bound. In fact, one rarely hears capitalism mentioned at all, except in negative terms. “Private enterprise” is referred to and grudgingly accepted (primarily as a source of government spending power). But a fully consistent system of capitalism (*laissez faire*) does not exist anywhere in the world — and never has. It certainly doesn't exist in America. Nor is it being seriously considered. Why not?

Efficient and Profitable

Capitalism is the most efficient, progressive, and profitable economic system ever devised. People seek their livelihood on their own

terms, according to their own ability, for and with their own money. They deal directly with one another, not through the government — thereby saving the expense of useless bureaucracy. (Properly, government should enter the picture only upon request, i.e., in the event of a legal dispute or a criminal offense, to determine the legality of a given situation in terms of the natural rights of the individuals involved. Needless to say, no government, including ours, has yet confined itself to this role. This doesn't mean it isn't possible or desirable.)

Capitalism also contains its own built-in checks and balances. People are required to exercise sound judgment, or suffer the consequences of their own folly. It doesn't carry any guarantees. One risks failure along with the prospect of success. And if we are honest, we know that there are no real guarantees possible in life — not in theory, or in reality. Life is a process of change and risk, growth and setback, and ultimately what one can realistically hope for is to achieve a just measure of success commensurate with one's own ability. This is what capitalism is, and does. It puts the responsibility where it belongs — on the individual — which is, after all, the meaning of independence. One is not independent if he is not responsible

for his own needs. Nor can one become independently responsible if the government intervenes to make it impossible.

Economic Disaster Follows Monetary Manipulation

The greatest economic disaster in America's history came after the Federal Reserve Act had relieved people of the responsibility and the means of making an accurate judgment. The subsequent frantic efforts of government to "create" a sound economic balance through legislative force have brought us to our present state of chronic insecurity and collective dependency.

Yet government is rarely blamed for our economic difficulties. After all, hasn't it been trying to cure them for over 40 years? Capitalism is blamed.

The accusation that capitalism exploits the worker has been repeated so often that it is generally accepted as true with no further thought. Let it be stated here for the record that capitalism is the system for the working man. It does not reward the idle — only the man who is willing to work for his wages. Consider the present situation in our "mixed" economy. Are we to believe that the working man is not exploited when a portion of the money he earns is forcibly extracted from his wages to support

government programs which harm rather than benefit him?

Another supposedly unpleasant facet of capitalism is that it appeals to one's selfish nature. This is absolutely true. Selfishness means to be primarily concerned with one's own self-interest. Anybody who claims to be otherwise is either a fool or a liar (to borrow an old phrase). Self-preservation is primary to all living things. If man were not selfish by nature, he would be extinct. Yes, capitalism serves the self-interest of each and every individual. Which simply means that capitalism serves the individual, as an individual. Which is why it should be the economic system of the only nation ever founded in behalf of the individual — America.

It is also said that capitalism promotes greed. Does it? Who is greedy: the man who wishes to earn his keep, and keep what he earns? Or the man who wants a legislative advantage, who wishes special privilege so he can compete "fairly" in the "free" market?

Observe the present clamor at the doors of Congress for straight financial handouts to accommodate every conceivable whim. The quest for the product of what another man has earned constitutes greed in my estimation. Every dollar the government gives away was earned

by a citizen of this country. It makes no difference if the citizen can afford it or not. It is a matter of principle; and the principle involved is the right of the individual to own what he earns, choose how his earnings are spent, and the right not to be forced to support a "spending," "subsidy," or "charitable" program of which he personally disapproves.

If, for example, I were to ask you for a voluntary contribution to support a farmer too stupid to stop growing crops for which there is no market, you would undoubtedly refuse. Who would voluntarily support such a program? It might work the first time around, but it would surely die of its own accord if it were pursued; and in a court of law it might even be construed as fraudulent.

This is but one example of a "program" which would neither be tolerated nor sustained on a voluntary basis. The list of self-defeating, useless, inefficient, and downright wasteful undertakings of government is endless, and well known to many of us.

The Inevitable Trend

It is not my purpose here to prove that government "manages" economic affairs in the least efficient manner possible. The situation here, and throughout the world, speaks for itself.

My point is that such is the inevitable result of government intervention in the financial affairs of its citizens. When government assumes the "right" to manipulate economic matters, where does it draw the line? Thus far, in America, it has not seen fit to draw any line at all. And herein lies the danger. Anything goes, if enough pressure is applied in the "right places." It is a shameful abuse of a political system designed to limit the powers of government in order that the people might be free of government compulsion. If it were otherwise, (i.e., consistent with our fundamental principles), why is such effort made to hide the truth?

The attempt to conceal the trend toward statism in America is evidenced by the increasing use of evasive semantics. The economic policies outlined in the *Communist Manifesto* are written into law in the United States of America under the heading of "social legislation." Individual liberty is gradually replaced by "the needs of a changing society," i.e., collectivism. And our "mixed" economy is moving steadily toward a "new" version of full-fledged fascism under the heading of "responsive government."

Economic control is the key to political dictatorship. And conversely, capitalism is the key to

political freedom. Observe that capitalism has been the primary target of communism from the outset. Communism, as an economic system, can't hold a candle to capitalism. But it is the most effective system of political dictatorship ever devised, precisely because the *individual has no property rights*.

Cause and Effect

When are we going to see the connection? Why don't we see it now? We can't have our cake and eat it too. America is no more immune to the natural law of cause and effect than any other nation, past or present. The strength of any nation lies in its consistent devotion to its own stated principles. Communism isn't spreading because it's a better system. It spreads because communists are steadfastly committed to every facet of communism; and no similar commitment to capitalism stands in its way.

Americans have been apologizing for and compromising capitalism, at first slowly, but with increasing rapidity throughout most of this century. Where once we had a simple government structure based on a solid foundation, we now have a gigantic superstructure resting on a mish-mash of contradictory inconsistencies. Where once we had a thriving,

progressive economy, we now have imminent disaster. By our own hand we are divided, weakened, and vulnerable—fair game for anyone and anything.

Figuratively and literally, the middle of the road is a dangerous place to stand. It indicates irrational behavior at best, and suicidal tendencies at worst. There are only two fully consistent and separate views of life. Two sides of the road. It's an either/or proposition.

One side is collective dependency

with full political ownership and economic control, i.e., total human slavery. This view is exemplified to its fullest extent by communism, but has prevailed in varying degrees throughout the entire history of mankind.

The other (and only) alternative is individual liberty with private ownership rights, economic freedom, and political protection of the individual as an independent agent, exemplified briefly (imperfectly, but significantly) by capitalism in American history. ☉

JOHN D. LINDL

RIGHTS &

Pseudo

RIGHTS

CONGRESS has been working on a welfare reform bill, The Family Assistance Plan, for two years now. What is the nature of this bill? If it is approved, Congress will have declared its intention to

Mr. Lindl is a graduate student at Princeton University.

guarantee to every American the "right" to a minimum yearly income. As such it merely represents a logical extension of recent trends of the sixties which has seen a proliferation of "rights"—rights to health care, education, housing, jobs, and food. The only difference

between this and other measures that have been enacted is its scope and potential for expansion. But bills enacted in the late sixties were more expensive than those of the early sixties, and so forth. As such, this is just a continuing trend, too. All of these bills are of a single nature and must be analyzed as such.

Their common denominator is the "rights" they declare, a strange set of rights, indeed. Despite the rhetoric of proponents who claim these are rights guaranteed to every American, they quite obviously are not. If every American quit working, there would be no goods to satisfy their claims for these rights. So these bills in effect provide goods and services to those who have not provided for themselves, at the expense of those who have. A "right" of one person that can only be satisfied at the expense of another is obviously no right at all. It is a decree that sets up two classes of people, those served, and those required to serve. The proliferation of such laws is one of the most dangerous developments in recent U.S. political history.

A primary right must always be a right to action, not to goods as such. All goods must be produced by prior actions and hence are already someone's rightful property. The right to act implicitly in-

cludes the responsibility for the consequences of one's action and the right to the use and disposal of the products of one's action. The rights of the American Constitution are all proper rights to action. But the very principle of these rights has been undermined by the growth of belief in various pseudo-rights.

The Nature of Rights

Rights reside in individuals. There is no such thing as group rights except as they are an extension of individual rights. A political right which is not possessed by every individual, regardless of his membership in a group, is merely a license for a particular group to exploit others not in the group. For example, consider "Welfare Rights." This is generally taken to mean the right to the means for a certain level of existence. Is this a right, universally applicable to all? Could we guarantee to everyone the right to a minimum subsistence without imposing on some group the responsibility of providing that subsistence? Clearly not. This is the test to distinguish between a genuine and a bogus right. If it applies equally to all, at the expense of no one in particular, it is a genuine right. If some one group benefits while another foots the bill, it is a counterfeit.

A common response to these arguments is that a majority of the people have elected the representatives who have passed the laws; so they really have chosen freely where their money and effort should go. But even on the face of it, this is not true. A member of Congress can be elected by 51 per cent of the vote. But even that 51 per cent is surely going to disagree with their representative a fair fraction of the time. So, before a candidate ever records a vote, he probably has fewer than 50 per cent of the voters behind him. And then, legislation can be passed with the assent of a mere 51 per cent of the legislators, further reducing the likelihood that even a majority of persons agree with the decision. So the best one can say of a representative democratic process is that the largest fraction wins.

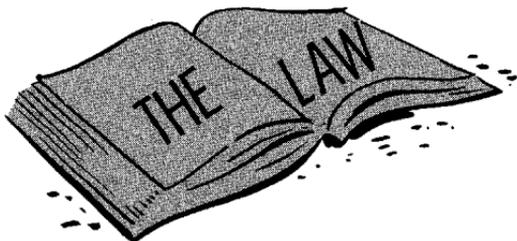
***Democracy Justified in Maintaining
The Rule of Law***

The only justification for a system where the largest fraction imposes its will on everyone else is that such a system has historically been the most effective in curbing and limiting the police power of the state. This police power is a

necessary protection against those members of every society who would try to impose their will by force or fraud on other human beings. A government whose police power is used solely for this purpose is no threat to any peaceful citizen, since it may never initiate the use of force. It only acts to prevent the use of force. Historically, no people has ever achieved a society whose government strictly adhered to this function. But the democracies of the world have come closest; and of them, the United States of the nineteenth century came closest of all. This achievement of democracy is its only justification. If it fails in this function, a democracy has no justification at all. Majority tyranny is no less a tyranny because it is a majority. The argument that democracy justifies the various pseudo-rights is pernicious. It perverts the function of democracy and further obscures the meaning of rights. In the end it serves to destroy democracy by giving rise to pressure-group warfare.

Until these facts are recognized and acted upon, the present trend in domestic legislation will continue with undiminished vigor. ☉

ON RE-READING



RAY L. COLVARD

THE STORY, perhaps apocryphal, is told of a young man who had a long, earnest conversation with his father on the eve of the son's departure for the university. When he was graduated, he talked with his father again. As the youth described it: It was amazing how much the old man had learned in four years.

A few years ago, when I received a copy of *The Law* from Dr. George C. Roche III, then Director of Seminars for the Foundation for Economic Education, I was not immediately impressed. The ideas appeared logically sound to me, but with application limited to places and times other than modern America. Robert L. Heilbroner in *The Worldly Philosophers* placed Frederic Bastiat, the author of *The Law*, in "the underworld of economics."

Mr. Colvard teaches at Clairemont High School in San Diego.

The Law is a disturbing book, however. I read it again. Before the fall of the old regime, Voltaire had made an acid observation that "in general, the art of government consists in taking as much money as possible from one class of citizen to give to the other." Bastiat called this exchange "legal plunder." He pointed out: The plunderers are within the law, acting benignly, with the best of motives, under the glow of "false philanthropy." It made sense — but.

In this matter of education, the law has only two alternatives: It can permit this transaction of teaching-and-learning to operate freely and without the use of force, or it can force human wills in this matter by taking from some of them enough to pay the teachers who are appointed by government to instruct others, without charge. But in this second case the law commits legal plunder by violating liberty and property.

Now that was just too much. Back in the foothills of rural North Carolina during the first half of this century the tradition of the summer "protracted meeting" was firmly fixed in fundamentalist congregations. Visiting revivalists of a fire-and-brimstone bent attempted to electrify hot, sleepy listeners by cataloguing the alleged sins of erring neighbors. Over in the "amen corner" Deacon Jones munched his seasoned bolus of *Star Plug* tobacco and accompanied the preacher by nodding his placid agreement.

"... the sin of young men drinking ..."

"A-men!"

"... the sin of young women smoking ..."

"A-men!"

"... the sin of old men chewing ..."

At this point Deacon Jones rose out of his seat, sputtering. "Now just a minute, Reverend," he objected angrily. "Now you've quit preaching and started meddling."

This portion of *The Law* seemed absurd: public education being linked with legal plunder. Just what do economists think teachers do? Don't they know we lose the glorious, exuberant spirits of students? We encourage discovery. We produce scientists, entrepreneurs and statesmen who maintain the nation's economic and politi-

cal stability. We prepare citizens to become contributing, rather than dependent, members of a complex, competitive industrial democracy.

Somewhere from the dusty past I seemed to hear a soft chortle and low whisper: "false philanthropy."

This was ridiculous, I thought. It's my ox that's being gored now. It's all right to question the propriety of industrial monopolies, protective tariffs, and agricultural subsidies. Leave education to educators. The National Education Association's campaign for a National Department of Education is in full swing. With the right Secretary in the Presidential Cabinet, public education could be run efficiently, like the post office. With enough power educational leaders could enforce academic freedom for all teachers, defend martyrs like Peter Abelard and Socrates. I tried not to remember at this point that Abelard got himself into trouble playing around with a nubile teen-ager and Socrates really had been "corrupting the youth."

A Skeptical Student

During the week of the FEE seminar that summer I remained skeptical of Bastiat's freedom philosophy, at least that part about public education, though he was quoted respectfully by the

3-R's of the seminar: Read, Russell, and Roche. (For clarification and lest I appear lacking in respect, may I amend this remark to: Mr. Leonard Read, Dr. Dean Russell, and Dr. George C. Roche III.) I listened to them, but I was not fully convinced. I re-read *The Law* more carefully, however, when I returned home.

"Look at the madhouse of a world," Frederic Bastiat had suggested in an early work. The world "goes to enormous efforts to tunnel underneath a mountain to connect two countries and then it sets duties and custom guards at each entrance to make passage as difficult as possible." Interesting.

The latest, fourteenth edition of *Encyclopaedia Britannica* allows Frederic Claude Bastiat two dozen tepid lines. However, going back to the eleventh edition, published in 1910, I found this magnificent tribute:

He alone fought socialism hand to hand, body to body, as it were, not caricaturing it, not denouncing it, not criticizing under its name some merely abstract theory, but taking it as actually presented by its most popular representatives, considering patiently their proposals and arguments, and proving conclusively that they proceeded on false principles, reasoned badly and sought to realize generous aims by foolish and harmful means.

I was beginning to discover that Bastiat was, indeed, quite a man.

A Very Good Year!

The year 1776 was a vintage one for freedom. It brought forth the master work of Thomas Jefferson and Adam Smith. In the vernacular of today's bright youth, "Groovy! Everybody has rights and everybody should do his own thing." The concept of liberty which came out of the enlightened eighteenth century and achieved wide popularity in the nineteenth has lost ground in the twentieth. The political term, "liberal," has shifted in meaning from those who would break government's hold on its citizens to those who advocate greater government controls be placed on individuals. The great utopian appeal of collectivism, even in the modern extremes of fascism and communism, is the fond hope of equality. Collectivism proclaims high ideals and promises reforms. Literacy and public enlightenment are laudable goals for us to undertake in public education. Can this be "legal plunder"? One might as well imagine Santa Claus an "enemy agent."

There is profound danger in cultivating the cult of equality. Tocqueville, the great admirer of American democracy, warned of the danger during his travels in the United States in the Jackson

era. Democracy would, he foresaw, pose an irreconcilable dilemma to Americans. They who treasured both freedom and equality would eventually choose to give up the former to gain the latter.

The Need for Rules

Man must live by rules, but they should be rules of his own choosing. Ludwig von Mises stated this concept beautifully in his *Human Action*:

Liberty and freedom are the conditions of man within a contractual society. . . . As far as he gives and serves other people, he does so of his own accord in order to be rewarded and served by the receivers. He exchanges goods and services, he does not do compulsory labor and does not pay tribute. He is certainly not independent. He depends on the other members of society. But this dependence is mutual.

The late jurist, Learned Hand, wrote about the benevolent "beast in us" which leads us to destroy liberty for others. "Liberty," he noted, "is an essence so volatile that it will escape any vial however corked." The logic of Bastiat, von Mises, and Hand at this point seems virtually irrefutable.

The public school system is an institutionalized cork restraining human freedom. It makes use (benevolently, of course) of the worst elements of socialism and

protectionism. In truth, we teachers are in the jail business. Educators, like a majority of the adult population, defend compulsory attendance laws which are in fact nothing more than bills of attainder against our young.

We illogically uphold these extra-judicial canons despite their expressed ban by Sections 9 and 10 of Article I of the *Constitution of the United States*. This basic constitutional injunction has been blandly ignored. In *Brown vs. Board of Education* the Supreme Court appeared to actively favor compulsion. In the words of the Court, "Compulsory school attendance laws and the great expenditures both demonstrate our recognition of the importance of education to our democratic society." We are wildly inconsistent in defining "liberty." First we confront youth with our terrible dictum: You have no inalienable rights. Then we expect him to become law-abiding while he is, himself, outside the law. We expect him to achieve a mature autonomous level in personal growth without exercising the right of free choice. We expect him to develop value judgment stripped of a compulsion for responsibility. A frenetic reality exists in compulsory education. We guard students possessively as they attempt to escape our bureaucracy. They are not allowed to

become nonconsumers in our educational monopoly. We employ "Keystone" cops called "truant officers" or more euphemistically, "attendance coordinators," to chase them when they attempt to decline our services.

Twentieth century school systems have come to be blatant examples of nineteenth century enterprise. Writing about anachronous industries, Henry Hazlitt noted: "It is just as necessary to the health of a dynamic economy that dying industries be allowed to die as that growing industries be allowed to grow." A like case could be made for abandoning outmoded compulsory institutionalized education.

Candlemaker's Petition

Bastiat's masterpiece of economic satire was the tongue-in-cheek petition to the Chamber of Deputies requesting that owners of houses be made to do without doors and windows. He berated sunlight as a foreign, low-cost, unfair source of illumination and asked that it be shut out to create a demand for artificial light which would benefit French manufacturers of lamps, tallow, and candles. We educators today are logical targets for the Bastiat philosophy as we defend our right to a monopoly of artificial enlightenment.

It is my belief that the services

rendered by teachers in public schools are a primary economic good. Our professional expertise is of such value that it need not be forced on anyone. In learning's free market, demand exceeds supply. Young people need not be compelled by legal entails to come to school. It's a compulsion they have reason to hate. They have a valid case in history. Tea-loving Colonists refused to drink tea when it was forcibly pressed on them by a benevolent England. The Boston Tea Party made America a nation of coffee drinkers.

Public education as it exists today is economically unsound and patently unfair. Schools offer contracts for services to youths, but students have no legal way of enforcing the obligation. In even the relatively modest school districts, teachers report to principals who report to area directors who report to assistant superintendents who report to associate superintendents who eventually report to the superintendents who are solely responsible to the boards of education. Each level above the pedestrian classroom teacher is insulated from students. Every educator position above the teacher level in the system is political. Public relations know-how is the criteria for successful performance. Quality of the product that reaches the consumer is of small concern

to middle management in educational enterprises. Managers are never partners in concerns which are without entrepreneurs. Educators are men of means, not of ends, and the means at their disposal are collectivism, centralization, and compulsion.

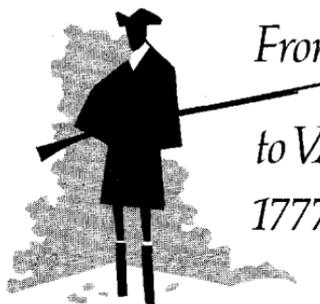
Bastiat made a wild and wonderful suggestion to us: "Let us now try liberty."

Away with the whims of governmental administrators, their socialized projects, their centralization, their tariffs, their government schools, their state religions, their free credit, their bank monopolies, their regulations, their restrictions,

their equalization by taxation, and their pious moralizations!

In my latest reading of *The Law* there emerges a classic framework of freedom: the belief in a harmony in human nature, the knowledge that individual aspiration if left unfettered contributes to the general good, the sober understanding that man is not God.

The story is told that at the moment of Fredric Bastiat's passing he whispered something. The sound was virtually inaudible, but the listening priest thought the whisper was, "Truth, truth . . ." What else could it have been! ☉



From PRICE CONTROL

to VALLEY FORGE

1777-78

PERCY L. GREAVES, JR.

PRICE control has been often tried. It has been strongly enforced. Yet, it has consistently failed to produce the desired results. Our an-

Professor Greaves is now a free-lance economist and lecturer. This article first appeared in *Christian Economics*, May 20, 1952.

cestors learned the follies of paper money and price control the hard way. They learned a lesson which many present-day Americans seem to have forgotten. Price controls almost wiped out our independence in the first years of our existence.

Our Continental Congress first authorized the printing of Continental notes in 1775. The Congress was warned against printing more and more of them. In a 1776 pamphlet, Pelatiah Webster, America's first economist, told his fellow men that Continental currency might soon become worthless unless something was done to curb the further printing and issuance of this paper money.

The people and the Congress refused to listen to his wise advice. With more and more paper money in circulation, consumers kept bidding up prices. Pork rose from 4¢ to 8¢ a pound. Beef soared from about 4¢ to 10¢ a pound. As one historian tells us, "By November, 1777, commodity prices were 480% above the prewar average."

The situation became so bad in Pennsylvania that the people and legislature of this state decided to try "a period of price control, limited to domestic commodities essential for the use of the army." It was thought that this would reduce the cost of feeding and supplying our Continental Army. It was expected to reduce the burden of war.

The prices of uncontrolled, imported goods then went sky high, and it was almost impossible to buy any of the domestic commodities needed for the Army. The controls were quite arbitrary. Many

farmers refused to sell their goods at the prescribed prices. Few would take the paper Continentals. Some, with large families to feed and clothe, sold their farm products stealthily to the British in return for gold. For it was only with gold that they could buy the necessities of life which they could not produce for themselves.

On December 5, 1777, the Army's Quartermaster-General, refusing to pay more than the government-set prices, issued a statement from his Reading, Pennsylvania headquarters saying, "If the farmers do not like the prices allowed them for this produce let them choose men of more learning and understanding the next election."

This was the winter of Valley Forge, the very nadir of American history. On December 23, 1777, George Washington wrote to the President of the Congress, "that, notwithstanding it is a standing order, and often repeated, that the troops shall always have two days' provisions by them, that they might be ready at any sudden call; yet an opportunity has scarcely ever offered, of taking an advantage of the enemy, that has not been either totally obstructed, or greatly impeded, on this account. . . . we have no less than two thousand eight hundred and ninety-eight men now in camp

unfit for duty, because they are barefoot and otherwise naked. . . . I am now convinced beyond a doubt, that, unless some great and capital change suddenly takes place, this army must inevitably be reduced to one or other of these three things: starve, dissolve, or disperse in order to obtain subsistence in the best manner they can."

Lesson Learned

The severity of the situation increased. Our ragged regimentals were dispersing. In February, 1778, the Pennsylvania Assembly "passed a law appointing commissioners in every city of the state with full power to purchase or to seize, at stated prices, all provisions necessary for the army." But, appeals to patriotism, accompanied by force and threats of more force, failed to bring out the necessary provisions. The farmers just would not trade the fruit of their hard labors for paper money which bought less and less as the weeks passed by.

On April 21, 1778, George Washington wrote a delegate in Congress, "Men may speculate as they will; they may talk of patriotism; they may draw a few examples from ancient history, of great achievements performed by its influence; but whoever builds upon them, as a sufficient basis for

conducting a long and bloody war, will find themselves deceived in the end. We must take the passions of men as nature has given them, and those principles as a guide, which are generally the rule of action. I do not mean to exclude altogether the idea of patriotism. I know it exists, and I know it has done much in the present contest. But I will venture to assert, that a great and lasting war can never be supported on this principle alone. It must be aided by a prospect of interest, or some reward. For a time it may, of itself, push men to action, to bear much, to encounter difficulties; but it will not endure unassisted by interest."

Valley Forge taught George Washington and the Pennsylvania advocates of price control a very costly lesson. They had hoped for plenty at low prices. Instead they got scarcity and indescribable misery. Anne Bezanson's valuable book, *Prices and Inflation during the American Revolution*, tells us, "By June 1, 1778, the act of regulating the several articles on the price lists was wholly suspended." Price control had failed.

Army Better Fed

This same book informs us that after this date the commissary agents were instructed, "to give the current price . . . let it be what

it may, rather than the army should suffer which you have to supply and the intended expedition be retarded for want of it." As a result the Army was better provided for in the fall of 1778, than had previously been the case. In the words of Miss Bezanson, "the flexibility in offering prices and successful purchasing in the country in 1778 procured needed winter supplies wanting in the previous year."

In January, 1780, Pelatiah Webster wrote, "As experiment is the surest proof of the natural effects of all speculations of this kind . . . it is strange, it is marvelous to me, that any person of common discernment, who has been acquainted with all the above-mentioned trials and effects, should entertain any idea of the expediency of trying any such methods again. . . . Trade, if let alone, will ever make its own way best, and like an irresistible river, will ever run safest, do least mischief and most good, suffered to run without obstruction in its own natural channel."

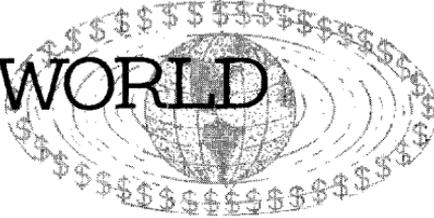
Price control is an attempt to alter God's law of supply and demand. Those who endorse it frequently believe that the supply of goods and human satisfactions can be maintained at prices which are legally set below the free market price. They are ever doomed to

disappointment. When a price is set below the free market price, marginal producers will always cease to produce. The available supply is thus reduced. On the other hand, prices held below the free market rates always attract more prospective buyers than the higher market prices. The result will ever be, other things being equal, a decreased supply and an increased demand.

Free prices allocate scarce goods to the highest bidder. In consumers goods, the highest bidder is the person who has best served society. In producers goods, the highest bidder is usually the person who can make the best use of the scarce labor and materials available. He can pay the highest price because he expects society to pay him more for his final product than it will pay for the product of any lower bidder. When the state, or some bureaucratic agent of the state, sets prices, he must also decide who shall have and who shall have not.

The power of allocating the necessities of life is the power of life and death. Under price control that power is given to the political powers that be. Consumers are entirely at their mercy. Price control is, therefore, the very antithesis of freedom. Price control is economic slavery. 

WE and the THIRD WORLD



A Note of Christian Dissent

“Truth alone offends.”
— French proverb

AS A WORLD TRAVELER more or less permanently on the move, I must confess to the odious crime of thorough disagreement with current conceptions in regard to the Western world’s relationship with, and duties toward, the so-called developing nations. My disagreement concerns not only the secular views on the subject but also those prevailing increasingly in the majority of the Christian Churches. Travels and intensive studies over a period of fifteen years have convinced me that our general Western notions in regard to this delicate subject must be thoroughly revised. Obviously, an exhaustive argument cannot be expected within a short article, nor elaborate statistics presented. All that can be done here

is to tabulate various of the current — largely erroneous — views, followed by a few critical remarks.

“Colonialism Was a Crime, Its Record Entirely Negative”

Let us begin with the widespread assumption that “colonialism” was a crime and its record entirely negative. Many Americans especially, I would say, are “dedicated” to this notion, forgetting that the United States still has colonies (in the Pacific) and that without the British colonial effort the glorious American nation would not exist. A patriotic American “anticolonialist” can be likened to a man in his prime, proud of his record and achievements but fulminating against fatherhood — without which he would not exist — an attitude reminding one of the Oedipus Complex and worthy of medical attention.

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Without British colonialism there would be no Nigeria, Ghana, or Australia, no India liberated from the Moslem yoke, and so forth. Without the Roman colonial drive neither the French nor the Spanish language would exist, nor English as we know it, and presumably not even our modern civilization. And let me add that without Bavarian colonizing my own country, Austria, would not exist either. A furious Brazilian anticolonialist would seem very funny to me. Several years ago, when I was asked in Irkutsk what I thought of that capital of Eastern Siberia, I replied that it testified to the vigor of Russian colonialism. Thereupon, I was earnestly exhorted not to say "kolonialism" but "osvoyeniye," which means "incorporation." Keeping a straight face, I wrote this word down in my notebook while, out of the corner of my eye, I watched the broad grins all around me.

"Colonialism" is a neologism not to be found in older dictionaries. It is not an "ism," but expresses a mere law of history and politics. No power vacuum can exist for any length of time; it invites penetration and occupation. In this respect, geography does not differ from physics.

Point two is the charge that Europe and the United States continue to take brutal advantage

of the former colonies and other "developing countries" through investments there. However, "emerging nations" are in need of capital—foreign capital, if they have none of their own and refuse to practice the harsh policy of low wages and high investments. This harsh policy characterized our European economy and industry more than a hundred years ago—and laid the foundations for our present high living standards.

Until the end of 1958, Franco desperately and foolishly struggled against foreign investments in his then truly "underdeveloped" country whose living standards were well below those of Chile. Fortunately, he was finally prevailed upon to give up this sterile attitude; as a result, not only foreign capital and local investors, but the Spanish masses, too, began to prosper. On the other hand, many "capitalists" until recently still invested considerable sums in politically unstable overseas nations and lost them through revolutions, riots, guerilla warfare and confiscations, or simply because of the unavailability of efficient manpower. And as for foreign aid, the French—to cite only one example—still pay more per capita than the Americans do, and they pay more to their colonies than they did in the colonial period. If the Italians do not shell it out in simi-

lar fashion, the reason may be that living standards in parts of Nigeria are higher than they are in Italy's deep south, in the *Mezzogiorno*.

"Decolonization a Boon"

Thirdly, there is the prevalent view that "decolonization" has been a real boon for the liberated masses, giving them a chance to develop their own cultural heritage. Yet, in most cases only a thin layer of westernized "natives" benefited from a premature decolonization — for which they have to thank the Cold War and the invisible Washington-Moscow Axis of "anticolonialists" outbidding each other under the motto: "I can be more anticolonialist than you are." But the rule of the new men, whether politicians, mob-masters, or dictators, has not been marked by greater efficiency, greater justice and magnanimity, more peace, or (least of all) less corruption.

Nobody would have dared to slip a hundred rupee note into the hand of a British judge in India; among the little people there one finds today the greatest admirers of colonial rule, which to many of them now appears as a Golden Age. (Did you ever talk to the *montagnards* in Vietnam? Or to simple Cambodian farmers? You will find the same attitude there.)

Let us also remember our own Germanic ancestors, real savages who destroyed the already Christianized Roman Empire. How long did it take them to gain standards comparable to those of the Roman culture they destroyed? Six hundred years? Eight hundred years?

Still, many are those who insist that the undeniable "backwardness" of the emerging nations is due to our past oppression and/or to our refusal to educate them. But what would have happened, let us say, had we thrown a *cordon sanitaire* around tropical Africa and never set foot on that part of the Dark Continent? Do we not have the admission of Mr. Tubman of Liberia and of Emperor Haile Selassie that their countries, unfortunately, are lacking the hard but salutary experience of colonialism? Have the Portuguese been really so amiss in educating the Angolans? (What is the illiteracy rate in Portugal proper?) Or what of the Belgians in the Congo? Did not Lovanium University have an atomic reactor before the University of Vienna? How many Ph.D.s and M.D.s were there in the ancient Kingdom of the Congo before the white man arrived? And as for wicked westernization: is not the Third World desperately trying to continue this process? Is not Marxism more western than Confucianism, Tao-

ism, or Buddhism, or modern technology and medicine more so than ancestor worship, magic, and sorcery?

"Old World Domination"

Fairy tales about the Third World abound in America as well as in Europe. Thus, we hear that, in Latin America especially, the hangovers from Old World domination are responsible for the big social differences and the continued internal exploitation. Now, whence does the poverty of the Latin American masses come? How great is the expectation of raising disciplined, skilled, laborious men in the sometimes nearly polyandric and matriarchal "families" with up to 80 per cent illegitimate births, characteristic of the Caribbean and other more southern areas?

In addition, one has to remember that only three areas in the entire world have "modern" work ethics or what the Spaniards call *la gana de trabajar*: Europe (with the center of gravity in the Northwest), North America, and East Asia (including perhaps Vietnam, but certainly excluding Laos and Cambodia). We must bear in mind that in the Middle Ages the year, according to regional customs, had between 90 and 130 holy days of obligation besides the 52 Sundays. Systematic and rationalized work

became an ideal only with the Reformation. In a generally easy-going country, if a small minority (often of alien origin) works really hard, it will, for want of competition, become rich almost overnight. Hence the "social problem," hence the rapid rise of fervently envied minorities all over the globe — the Parsees in India, the Japanese in Brazil and Peru, the Spaniards (*los zopilotes!*) in Mexico, the Chinese in Southeast Asia, the Lebanese in Africa, the Jews in Central and Eastern Europe, the Ibos in Nigeria, and so on. They will always serve as scapegoats for mankind's most deep-seated vice: envy, murderous, furious envy. Naturally, these unpopular minorities rarely feel safe; demagoguery agitates against them, and they tend to seek security for their savings.

Related to the myth of the Old World's culpability is another one: given the "deplorable sins of the past" in these areas, the only reasonable economic development can be one along socialist lines. "Let us help them to follow Marx!" True, individualism and a competitive spirit are essentially Western characteristics, but besides Spain we have the cases of Japan, Formosa, Singapore, the Ivory Coast, and Lebanon where free enterprise has, after all, proved to be the goose that lays

the golden eggs. Russian living standards (we are not speaking of the GNP) are barely above the levels of 1914.

Then there are those who insist that we are "bound in justice" to help the emerging nations economically, financially, materially. Well, in more than 150 years we managed with blood, sweat, and tears and with endless patience to build up an industrial civilization which only in the last two or three decades has yielded a "life of plenty" for any sizable numbers among us. Due to the big capital investments required in the beginning, only few branches of production in a young industrial economy can afford to pay "liberal" ("living") wages. In some cases it takes generations. Our wealth, too, did not come swiftly or smoothly. Out of *voluntary charity* we ought to help the others to catch up with us materially, but they have no demands on us "in justice."

In this connection the "idealists" among us might reply that our wealth does not stem from our efforts, but from the past and present exploitation of "colored" peoples and their raw materials. The alleged immense benefits from our colonial period, however, are yet another myth. Decolonization, in spite of large-scale confiscations, ushered in our European prosperity. (The most prosperous

European nations, such as Switzerland or Sweden, never had colonies.) Even the Belgian Congo was profitable only between 1940 and 1957; of the German colonies only little Togo paid off. Adam Smith, in the face of American Independence, declared that business with colonies is no more profitable than with foreign countries. Actually, trade with the former Thirteen Colonies rose from 15 to 61 million dollars in the period 1775-1806. In 1852 Disraeli, referring to Britain's foreign possessions, spoke about "those miserable colonies" and Cobden asked ironically: "Who is the enemy who will do us the pleasure to steal our possessions?" Colonies appealed to patriots, missionaries, naval officers, and adventurous entrepreneurs (and speculators) who rarely saw their dreams come true. The necessary initial investment — roads, railroads, hospitals, military establishments, canals, drainages, pest control, schools, training centers, ports, telegraph lines, sanitation — was so enormous that decolonization frequently came before real profits began to make themselves felt.

Nevertheless, the steady lament about our European (and even American) mistreatment of the formerly colonized nations continues. Europeans, especially if

they broke with the Christian faith and fell for neo-pagan ideologies, have always been far more cruel toward each other (remember Auschwitz, Dresden, Katyn) than toward any "natives"; and as for the "natives" among themselves, we need only open a newspaper almost any day to hear what they do to each other. (Imagine the reactions if the Bangla Desh movement had been suppressed *in the way it was* by a British general! And the same applies to the extermination of the Ibos, to mention only two especially stark cases.) Brutal treatment? Probably two-thirds of the populations of the "emerging nations" would not exist were it not for Western medicine. Sleeping sickness, bubonic plague, yellow fever, bilharzia, filiosis, cholera, dysentery, and leprosy would still decimate entire regions. Horrors like *Zen-anyana*, Dahomey's "Evil Night," the antics of the Kings of Benin, *Suttee* (burning of widows) in India, "eating long pig" (cannibalism) in Polynesia, not to mention the bestial slaughters on Mexico's Teocalli, would still go on were it not for "colonialism."

However, we are constantly exhorted: "The world cannot be permitted to go on being one quarter rich and three quarters poor." To this we have to reply that the difference in living standards be-

tween Europe-America-Japan and the rest of the world will continue to exist as long as the human element — skill, management, economy, intelligence, determination to work hard — differs so significantly. (In the Congo the Belgians imported highly paid bricklayers from the homeland because each one did more than three times the work of a native.) Of course, this might change in time. Today German manufacturers prefer Spaniards and Balkanites to "native" workers.

A Framework of Technology

The dream of European-American-Japanese living standards on the basis of "Protestant work ethics" can only be fulfilled within the framework of a high order of technology. Scientifically speaking, there is no answer to the question whether we are normal and the others lazy, or the others normal and we neurotic. (Climate has hardly anything to do with the issue which depends upon a voluntary *choice* between leisure and spending and poverty, or hard work and saving and wealth.) Three years ago Dr. J. S. Kamwar of the Indian Council for Agrarian Research stated that if only two of the larger Indian states were to till the soil intensively and with modern methods, all of India could be fed properly; and if all the

farmers in all 14 states were to toil scientifically and diligently, two-thirds of the produce could be exported.

To all this I would like to add four supplementary remarks:

1) The democratic republic, sometimes a failure even in highly civilized nations (vide the case of Germany), becomes swiftly bankrupt outside of "Euramerica." When monarchy is ruled out as obsolete — and the Third World always craves for what it considers the most "modern" institutions — the father image is soon replaced by that of Big Brother. Yet, tyrannies tend toward a bureaucratic and centralized collectivism ("socialism") and thus the economy is "politicized." Confiscations ("nationalizations") always contribute to the reluctance of foreign investors. In fact, the industrial entrepreneur or landowner who, under such circumstances, does not salt away at least some of his profits to foreign banks, must be a super-patriot, a saint, or a soft-brained simpleton.

2) Almost everywhere in the Third World there is the failure to recognize that Western culture and civilization represent a package deal. One cannot arbitrarily pick some items and leave the rest. He who wants to own, keep and repair a car has to accept — con-

sciously or unconsciously — Aristotelian and Cartesian notions. Neither modern wars nor modern agriculture are possible without an industrial background. No industry can be based on animistic, Buddhist, or Vedantic foundations. The engineer has been born in the shadow of the Cross. Scientific thinking is "exclusive," not syncretistic or relativistic. Whether Western civilization is superior or inferior to others is beside the point. The fact remains that all nations on this globe *want* to be westernized. But with an unerring instinct they usually choose the worst the West has to offer, for example the obsolete nineteenth-century ideas embraced by Maxism.

3) "Social engineering" will not alleviate poverty. This is even more true if (as it happens in the Third World) the social pyramid has a very broad basis, shrinks rapidly toward the middle and ends in a long, thin needle. The needle may be conspicuous, but its cubic content is very small. "Redistribution" will not cure the misery of the masses, only the baking of a bigger cake will have this effect, which presupposes wise leadership and motivation among the many.

4) Humanity, according to the scientists, is at least half a million

years old. If we equate this period to 12 hours we can say that what we today arbitrarily call "decent human living standards" have been the privilege of a very few only during the last five minutes before twelve — and available for more or less entire nations only within the past thirty seconds. Up to then there was only hunger, cold, vermin, fear, disease, despair, brutishness, and boredom. The average life-span for those who survived infancy in the neolithic age was 28 years for men and 22 for women. Even Louis XIV could never get rid of his lice, and in the summer Versailles emitted an unbearable stench. The living standards of His Excellency, Herr Johann Wolfgang von Goethe, would be rejected by any German skilled worker today. Historically and geographically speaking, "a decent life" (or family wages) has always been something of a "unique situation" in this world.

Christian Aspects of the Problem

As for specific Christian aspects of this whole problem, let us add a few more points:

The masochism, the cringing self-accusation of good Christians in regard to the Third World is not so surprising if we bear in mind that Christianity always

feared a Pharisaical, holier-than-thou attitude. To beat one's breast over one's shortcomings is very Christian, but this should never be an automatic, thoughtless gesture. A feeling of guilt must be based on *real* guilt, otherwise it becomes a purely medical problem — and ceases to be of any spiritual value.

Racism exists undeniably and it has been traditionally much stronger in countries belonging to the Reformed Churches than in the Catholic orbit. (Toynbee has some pertinent passages on that subject.) In the World Council of Churches (with its seat in Geneva) Christian masochism has led to a policy which reminds one of all those benighted spirits who started out as blinded do-gooders and ended up as criminals if not murderous terrorists. To finance the Chinese-trained and Chinese-led terrorists in Southern Africa, who have committed abysmal atrocities (mostly toward other Africans) is the height of confusion. "We have been racists, now we must *do* something against racism and not only preach against it," are the words of Dr. Eugene Carson Blake. An "Anglo-Saxon" telling the Portuguese not to practice racism — this is the zenith of impudence!

The Catholic world, on the other hand, has always been lack-

ing in first-rate economists and financial experts. For this there are good reasons; one need only read St. Thomas on commerce in *De Regimine Principum*. I can think of only two living contemporaries who are Catholics and economists of world renown. To talk about global, especially "Third World" problems without clear economic and financial concepts is just as futile, silly, and criminal as to talk about economics without ethical considerations. It is difficult to say whether today Catholic or communist political-economic-social thinking is more divorced from the deeper realities of life and from truly global perspectives.

Another thing we can observe is the evil inherent in the transfer of *monastic* ideals to secular life, a tendency which is at the bottom of Catholic leftism, insofar as it is not inspired by purely worldly notions. (The fact that there are today Episcopalian, Presbyterian, and Lutheran monasteries and convents indicates that one should not underrate the all-round fascination of monasticism.) It is interesting that in many Catholic quarters the envious hatred for the rich — for the Jewish banker, the Calvinist manufacturer, the Anglican landowner, depending on the country in question — is connected with an ecstatic love and admiration for the poor whom,

paradoxically, one wants to render wealthy (and thus less likely to enter the Kingdom of Heaven?), preferably by expropriating the rich rather than by teaching the natural virtues: a Third World problem of the first order.

Social Romanticism

There exists, moreover, not only a Western but also an ecclesiastic masochism which fosters Social Romanticism and Third World reveries, according to which the Church has always sided with the rich and is also in possession of "great riches." Actually, most priests, monks, and nuns come from the poorer classes and are today often the victims of leftist political trends fostering (after so many excesses in the opposite direction) a startling disloyalty toward the Catholic past. The self-accusing lament that the Catholic Church has, through its missionaries, westernized other nations and races and thus weakened, if not destroyed, local cultures in the Third World can frequently be heard. Of course, in the Christian faith the European past is as ineradicable as the Hebrew, Greek, and Roman background, whether we take the religion of a Catholic Irishman, a Methodist American, a Christian Japanese or Angolan — an undeniable phenomenon.

The bleeding-heart approach to

the Third World — caused by real sympathy — is perfectly in order, but Catholics especially should bear in mind that among the nations invited to dig deep into their pockets there are only two predominantly Catholic ones: France and Belgium. Catholic sentimentalists are actually asking countries belonging to the Reformed Church to shell it out, countries that worked hard while the Catholic nations (to whom I myself belong) enjoyed a *dolce vita* of leisure, reverie, and artistic pleasures (even if in relative poverty.) How loudly can Catholics ask their separated brethren to be the main providers?

If, on the other hand, the entire Christian world decides to help the “emergers,” we have to reflect most carefully on how this is best to be done. Obviously, not by distributing bank bills on street corners, nor by giving money to certain governments one would not like to touch with a barge pole. Under no condition would I

like to see my tax money squandered on socialist experiments which have empirically shown such a poor record. Realistic aid is given by *Misereor*, *Oxfam*, and other charitable organizations. And there are also our courageous entrepreneurs who have gone out to teach skills and disciplines, to provide for jobs, salaries and tax moneys.

All in all, I think that we ought to make concerted efforts to reinvestigate all these issues, cease to be lachrymose cry-babies, calculate with paper and pencil, travel, read the necessary source books, learn languages, study the many facets of human nature. Only then will we put an end to making fools of ourselves and begin to help the developing nations — firmly, scientifically, without yielding to blackmail, impudence or guilt complexes, helping them in all charity, as we would help our children, to grow up and to achieve what we have achieved. 

The Tyrant As Slave

HE WHO IS THE REAL TYRANT, whatever men may think, is the real slave, and is obliged to practice the greatest adulation and servility, and to be the flatterer of the vilest of mankind. He has desires which he is utterly unable to satisfy, and has more wants than any one, and is truly poor, if you know how to inspect the whole soul of him: all his life long he is beset with fear and is full of convulsions, and distractions, even as the State which he resembles: and surely the resemblance holds? PLATO, *The Republic*

IDEAS ON



LIBERTY

THE MODERN VOLUNTEER ARMY

DAVID J. KRAMER

THE MODERN VOLUNTEER ARMY is a term heard more and more frequently in both military and civilian circles. Newspapers and magazines cite "drastic changes," such as new regulations on hair length, pay raises, and the like, as giant steps toward a bright future for the military.

Despite the new regulations and publicized changes, the trickle of men into the MVA is at the rate of \$2,585 spent on advertising for each recruit.¹ Dissatisfaction runs high among enlisted men, and the April antiwar demonstrations saw

many of them throwing away their decorations in utter disgust. Something obviously is wrong with the system.

High-ranking officers and civilian policy makers are unable to explain the difficulties except to say that the youth of today are somehow different from "their" youth. If they were able to view the situation from the bottom of the heap instead of the top, they might discover that they are trying to cure an illness by treating only its symptoms. Over the years that the military draft has existed, procedures have evolved which are entirely appropriate to an agency employing coercion to obtain its needed manpower. But the procedures, the multitude of petty rules and regulations, are merely manifestations of the underlying coercion. And minor easing of the rules is simply not sufficient to

¹ *The Castle*, July 21, 1971 (The newspaper of Ft. Belvoir, Va.).

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induce young men to enter the service of their own free will.

Just as the proper role of the police force is to protect citizens and property from internal aggressors (i.e., criminals), the job of the armed forces is to protect the nation from foreign aggressors. Needless to say, every civilized society must have some such protection in order to survive; the duties of the policeman and soldier are just as important as those of the farmer, educator, and industrialist.

A Sacred Duty

The Army, however, sees its role as not only necessary but sacred (for an example of this, chat with any senior officer). A young man thinking of the military as a career will find highly unsavory this notion of "sacred duty"—complete with a fantastic aversion to constructive criticism and whole companies whose sole (though not official) purpose is to parade on Sundays. The defense of this nation is not a sacrosanct honor but a demanding and often thankless task which must be approached realistically.

The view that the Army's job is sacred is often used to justify the military draft in the eyes of the public. If defense were considered to be no more vital to the country than food production, the draft

would appear strange and unfair. (We don't draft farmers, so why draft soldiers?) But so long as national defense is believed to be an activity worthy of "special consideration," this system of coercion seems necessary and just—the government has a *right* to draft a man into the service. This notion stands in contradiction to the central concept of an all-volunteer force which, in effect, declares that the wishes of the individual come *before* those of the government. In a broader sense, the idea that it is proper for a citizen to sacrifice the whole or part of his life to some "higher order" has been the cornerstone of every dictatorship which has ever existed.

We are not saying here that persons should never come to the aid of their country in time of trouble. A government which upholds and protects the rights of the people will never have to worry about a lack of support. But history tells clearly what happens when the "rights" of the state come before those of the individual. "Government must be the servant, never the master," cries the record, and the youth of today are listening.

A second part of the problem is the attitude of Army officialdom toward those in the lower ranks: "personnel," to be used in any way

seen fit. Once the premise is accepted that the government has the "right" to take two years of a man's life, the conclusion follows that the Army in effect "owns" the individual for those years. There are no drivers with whips or toiling masses building a Colosseum, but the *attitude* is there despite talk about enlisted men's councils and the airing of grievances.²

Discipline is necessary, of course, for the success of any venture and is of vital importance when the agency involved, such as the armed forces or the police, possesses the capability of massive destruction. True discipline, however, is a product of respect. If a man respects the laws he obeys, the superior he follows, and the power of the weapons he controls, there is no problem of discipline.

Interchangeability

The attitude of "ownership" of the rank-and-file soldier gives rise to other problems: the notion of the "interchangeability" of enlisted men, and the separate system of justice for the military.

The old tales about master mechanics and holders of advanced degrees serving as cooks and infantrymen for two years are true

even today.³ The idea behind these misallocations is that, since the Army "owns" the soldier, he can perform efficiently any job that he is programmed to perform, and his own thoughts about the task he is given may simply be ignored.

The results are plain to see: men held in positions *below* their ability become despondent and negligent once their efforts at attaining other positions have failed, while men held in jobs *above* their ability become anxious and insecure. A perpetual waste of individual talent occurs.

The Army does make some effort to allocate jobs according to ability when a group of men are inducted. However, this attitude of draftee interchangeability — as well as the fact that the draft is geared to numbers, not skills — does much to negate the effort. Few soldiers relish the thought that they can be shuttled into different positions and duty stations by superiors who may not even ask the soldier's opinion on the matter. Also, the enthusiasm of a potential volunteer will not be increased if his friends in the mili-

³ "A glaring example is the job assignments of men trained as soil scientists. In fiscal 1969 the Army needed 103 soil scientists. In calendar 1969, 244 enlisted men entered the army with such training but only 6, or 2.5 per cent of those available were assigned to their college specialty." *Chemical & Engineering News*, June 29, 1970.

² The nickname "GI" stands for Government Issue, a term applied to government property.

tary declare, "Sure, the MVA is a nice idea, but they can still do whatever they want with you." No private business would ever treat its employees in such a cavalier manner; yet, a soldier in a volunteer army is an employee, much the same as a policeman.

A more serious obstacle is the idea behind military justice, the idea that a separate system of justice is needed for military men because, as "property" of the government, they are different from other citizens. The result is a double standard, sometimes unbelievable. For example, a recent amendment in Army regulations has allowed military men to read any literature they wanted, even when the literature was critical of the government. This went into effect 180 years *after* the Bill of Rights was adopted! Five years ago, a man at Ft. Knox, Kentucky, was refused an accelerated promotion simply because he had a copy of an "underground" military newspaper in his locker.⁴

In discussing military justice, we are not talking about those laws which are derived from general principles and which apply

specifically to soldiers. All occupations have complementary sets of rules and ethics. What concerns us here is the idea that a system for creating and administering the law may be set up *apart from* the general system of justice in the United States.

This attitude has no place in any plan for a truly effective volunteer army. The life of the soldier should be tied in as closely as possible with that of the rest of the society, not cut off and isolated within a separate sphere. This integration of systems will be no easy task, and the man who finds a way of solving the special needs of military justice through the system of civil jurisprudence will certainly be considered one of the founders of the MVA.

Summation and Conclusion

Here, in summary, are the various points we have discussed:

- A major problem facing any attempt to create a volunteer army is the "draft-army" mentality, a set of attitudes and ideas belonging to an agency which has long been using coercion to supply its manpower requirements, but ideas that are incompatible with the principles behind an all-volunteer defense force.

- The outward aspect of this mentality consists of the notion that a citizen "owes" two years of

⁴ *The Castle*, July 14, 1971. It is not true that military justice is mostly biased against the enlisted man. In some instances he has *more* legal rights than the civilian. The important thing to remember is that the two systems are *separate*.

his life to the country and that the government may determine how those two years shall be used. Justification of this notion lies in the Army's view of itself as a supersacred agency whose role in the society is far above all others.

- The inward aspect is mainly the idea of ownership — the Army is owner and the soldier the temporary property. This has fostered the notion of the interchangeability of the rank-and-file in the various occupations and the attitude that a separate system of justice for the military man is a proper institution.

At this moment the draft-army mentality may not appear to be a cause for alarm. But posters have been put up throughout military installations announcing this or that new program to help imple-

ment the MVA, and the advertising campaigns continue in full force.⁵ Sooner or later the Army, called upon to fulfill its "campaign promises," will run aground on its own rules. Now is the time for those who set policy to evaluate in a sober manner the whole Army philosophy. If they succeed in breaking through this stifling collection of attitudes, they will not only make their branch of the service more efficient and responsive, but will prove that coercion is not necessary for the defense of the nation. If they fail, the proponents of state omnipotence will gloat over another failure of the principle of voluntarism to achieve the desired goal — in an area where voluntarism never had a chance. ☉

⁵ General Westmoreland has set July 1, 1973, as the target date for an all-volunteer army.

Daniel Webster

A MILITARY FORCE CANNOT BE RAISED, in this manner, but by the means of a military force. If administration has found that it can not form an army without conscription, it will find, if it venture on these experiments, that it can not enforce conscription without an army. The Government was not constituted for such purposes. Framed in the spirit of liberty, & in the love of peace, it has no powers which render it able to enforce such laws. The attempt, if we rashly make it, will fail; & having already thrown away our peace, we may thereby throw away our Government.

— *From a speech in the House of Representatives, December 19, 1814.*

IDEAS ON



LIBERTY

Should We Divide the

W-E-A-L-T-H



HENRY HAZLITT

FROM TIME IMMEMORIAL there have been reformers who demanded that wealth and income should be "divided equally" — or at least divided with less glaring inequalities than the reformers saw around them.

These demands have never been more insistent than they are today. Yet most of them are based, in the first place, on a completely erroneous idea of the extent to which present wealth or income in the United States is "maldistributed." An American socialist, Daniel De Leon, announced in a celebrated speech in 1905 that, on the average, the owners of American industry grabbed off 80 per cent of the wealth produced in their factories, while the workers got only

20 per cent.¹ His contention was widely accepted and exerted great influence.

Yet the truth, as we have seen in the article on "The Distribution of Income" (the *Freeman*, October, 1971), is exactly the opposite. Labor in America is getting the lion's share of the nation's output. In recent years the employees of the country's corporations have been getting more than seven-eighths of the corporate income available for division, and the shareowners less than an eighth. More than 70 per cent of the personal income in the nation in 1970 was received in the form of wages and salaries. Business and professional income totaled less than 7 per cent, interest payments only 8 per cent, and dividends only 3 per cent.

The truth seems to be that per-

Henry Hazlitt is well known to FREEMAN readers as author, columnist, editor, lecturer, and practitioner of freedom. This article will appear as a chapter in a forthcoming book, *The Conquest of Poverty*, to be published by Arlington House.

¹ See Howard E. Kershner, *Dividing the Wealth* (Devin-Adair, 1971), pp. 17-24.

sonal income in this country is already distributed roughly in proportion to each person's current contribution to output as measured by its market value. Some people, of course, inherit more wealth than others, and this affects their total personal income. How large a role this plays is statistically difficult to determine, but the income distribution figures just cited would indicate that the role is minor. As a percentage of the total population, there are today very few "idle rich," however conspicuous a few playboys may make themselves at the night clubs and gaudy playgrounds of the world.

Moreover, the "surplus" money simply doesn't exist to raise mass incomes very much. In 1968, out of a total of 61 million income taxpayers, 383,000, or six-tenths of 1 per cent, paid taxes on incomes of \$50,000 or more. Their total adjusted gross income came to some \$37 billion, or 6.6 per cent of total gross incomes reported. Out of this amount they paid a little more than \$13 billion, or 36 per cent of their income, in taxes. This left them with about \$24 billion for themselves.

Suppose the government had seized the whole of this and distributed it among the 200 million total population. This would have come to \$120, or \$10 more a

month, per person. As the disposable personal per capita income in 1968 was \$2,939, this expropriation would have raised the average income of the recipients by 4 per cent to \$3,059. (Per capita income actually rose anyway to \$3,108 in 1969 and to \$3,333 in 1970.) Of course if the government resorted to any such violent expropriation, it could not repeat it after the first year, for the simple reason that people would cease earning incomes of \$50,000 a year or more to be seized.

A Destructive Process

Any attempt to equalize wealth and income by forced redistribution must destroy wealth and income. We can recognize this most clearly if we begin with the extreme case. If the median income per family has been \$10,000 a year, and we decide that every family must be guaranteed exactly that and no family can be allowed to retain more than that, then we will destroy all economic incentives to work, earn, improve one's skills, or save. Those who had been getting less than that would no longer need to work for it; those who had been getting more would no longer see the point in working for the surplus to be seized, or even in working at all, since their income would be "guaranteed" in any case. People could

be got to work only by coercion; most labor would be forced labor, and very little of it would be skilled or efficient.

The so-called "instinct of workmanship," without economic rewards, would have nothing to guide it into one channel rather than another, and nothing to hold it beyond the point of fatigue. Useful and profitable work would be black-market work. Those who survived would do so at a near-subsistence level.

But the same kind of results, less extreme in degree, would follow from less extreme redistribution measures. The most fashionable of these at the moment is the Guaranteed Annual Income. I have already analyzed this at length, together with its most popular variant, the Negative Income Tax, in my book, *Man vs. the Welfare State*,² and will only briefly indicate the objections to it here.

A guaranteed minimum income would not have quite the universal destructive effect on incentives as would an attempt to impose a compulsorily equal income, with the ceiling made identical with the floor. At least people earning incomes above the minimum guarantee, though they would be oppressively taxed, would still have some incentive to continue earn-

ing whatever surplus they were allowed to retain. But all those guaranteed a minimum income, whether they worked or not, would have no incentive to work at all if the guaranteed minimum were above what they had previously been earning for their work; and they would have very little incentive to work even if they had previously been earning, or were capable of earning, only a moderate amount above the guarantee.

It is clearly wrong in principle to allow the government forcibly to seize money from the people who work and to give it unconditionally to other able-bodied people whether they accept work or not. It is wrong in principle to give money to people solely because they say they haven't any — and especially to support such people on a permanent and not merely on a temporary emergency basis. It is wrong in principle to force the workers and earners indefinitely to support the nonworkers and nonearners.

This must undermine the incentives of both the workers and the nonworkers. It puts a premium on idleness. It is an elementary requirement of economic incentive as well as justice that the man who works for a living should always be better off because of that, other things equal, than the man who refuses to work for a living.

² (New Rochelle, N. Y.: Arlington House, 1969), pp. 62-100.

We have to face the fact that there are a substantial number of people who would rather live in near-destitution without working than to live comfortably at the cost of accepting the disciplines of a steady job. The higher we raise the income guarantee (and once we adopted it, the political pressures would be for raising it constantly), the greater the number of people who would see no reason to work.

Nor would a so-called "Negative Income Tax" do much to solve the problem. The Negative Income Tax is merely a misleading euphemism for a tapered-off guaranteed minimum income. The proposal is that for every dollar that a man earns for himself, his government income subsidy would be reduced, say, only 50 cents, instead of being reduced by the whole amount that he earns. In this way, it is argued, his incentive for self-support would not be entirely destroyed: for every dollar he earned for himself he would be able to retain at least half.

This proposal has a certain surface plausibility; in fact, the present writer put it forward himself more than thirty years ago,³ but abandoned it shortly thereafter when its flaws became evident. Let us look at some of these:

• 1. The NIT (negative income tax), by neglecting the careful applicant-by-applicant investigation of needs and resources made by the traditional relief system, would, like a flat guaranteed income, open the government to massive fraud. It would also, like the flat guaranteed income, force the government to support a family whether or not it was making any effort to support itself.

• 2. It is true that the NIT would not destroy incentives quite as completely as the flat guaranteed income, but it would seriously undermine them nonetheless. It would still give millions of people a guaranteed income whether they worked or not. Once more we must keep in mind that there are a substantial number of people who prefer near-destitution in idleness to a comfortable living at the cost of working. It is true that under the NIT scheme they would be allowed to keep half of anything they earned for themselves up to nearly twice the amount of the basic NIT benefit, but they would tend to look upon this as the equivalent of a tax of 50 per cent on these earnings, and many would not think such earnings worth the trouble.

• 3. The NIT might prove even more expensive for the taxpayers than the flat guaranteed income. The sponsors of NIT, in their

³ In *The Annalist* (published by *The New York Times*), Jan. 4, 1939.

original monetary illustrations, proposed that the "break-off point" of their scheme would be something like the official "poverty-threshold" income — which is now (1972) about \$4,320 for a non-farm family of four. At this point no NIT benefits would be paid. If the family's income was only \$3,320, falling short of the poverty-line income by \$1,000, then a \$500 NIT benefit would be paid. And if the family's earned income was zero, then a benefit of \$2,160 would be paid.

But, of course, if no other government subsidy were paid to the family (and the original NIT sponsors proposed that their plan be a complete *substitute* for all other welfare payments) then the government would be paying the poorest families only *half* of what its own administrators officially declared to be the *minimum* on which such families could reasonably be expected to live. How could such a program be politically defended?

As soon as the NIT program gets into practical politics, therefore, the pressure will be irresistible to make the payment to a family with zero income at least equal to the official poverty-line income. If this means \$4,320 for a family of four, say, then *some* NIT payment must be made to each family until its income

reaches *twice* the official poverty-line income, or \$8,640 for every family of four. And this means that even if a family were already earning much more than the official poverty-line income — say, \$8,000 a year — it would still have to be subsidized by the government. "Everybody must be treated alike."

• 4. This would be ruinously expensive, but it is still not the end. The subsidized families would object to paying a 50 per cent income tax (as their spokesmen would put it) on everything they earned for themselves. So they would be allowed to earn a certain amount entirely exempted from such a deduction. (Such an exemption has already been granted on self-earnings of Social Security recipients, and it is proposed in a pending Congressional bill to enact an NIT.) This would make the NIT still more crushingly expensive for the remaining taxpayers.

• 5. There would be political pressures every year for increasing the amount of these exempted earnings. In fact, a 50 per cent "income tax on the poor" would be denounced as an outrage. In time the proposal would be certain to be made that *all* the self-earnings of the NIT subsidy recipients be exempted from any offsetting deductions whatever. But this would mean that once a family had

been granted the initial minimum-income guarantee of, say, \$4,320 a year, it would still be getting that full sum in addition to whatever it earned for itself. But "everybody must be treated alike." Therefore there would be no break-off point, or even any tapering off. Every family — including the Rockefellers, the Fords, the Gettys, and all the other millionaires — would get the full guaranteed income.

This end-result cannot be dismissed as mere fantasy. The principle of a government subsidy to any family, no matter how rich, is already accepted in our own Social Security scheme and in Great Britain under the name of "family allowances." It is merely that the amounts are smaller. So the Negative Income Tax, as a social measure, turns out to be only a halfway house. Carried to its logical conclusion, it becomes a uniform guaranteed handout to industrious and idle, thrifty and improvident, poor and rich alike.

- 6. It is an anticlimax to point out, but it needs to be done, that there is no political possibility that a flat guaranteed income or a "negative income tax" would be enacted as a complete *substitute* for the existing mosaic of welfare and relief measures. Can we seriously imagine that the specific pressure groups now getting vet-

erans' allowances, farm subsidies, rent subsidies, relief payments, Social Security benefits, food stamps, Medicare, Medicaid, old-age assistance, unemployment insurance, and so on and so on, would quietly give them up, without protests, demonstrations, or riots? The overwhelming probability is that a guaranteed income or NIT program would simply be thrown on top of the whole present rag-bag of welfare measures piled up over the last thirty to forty years.

We may put it down as a political law that all State handout schemes tend to grow and grow until they bring on a hyper-inflation and finally bankrupt the State.

Land Reform

Perhaps I should devote at least one or two paragraphs here to so-called "land reform." This appears to be the most ancient of schemes for forcibly dividing the wealth. In 133 B. C., for example, Tiberius Gracchus succeeded in getting a law passed in Rome severely limiting the number of acres that any one person could possess. The typical "land reform" since his day, repeatedly adopted in backward agricultural countries, has consisted in confiscating the big estates and either "collectivizing" them or breaking them up into

small plots and redistributing these among the peasants. Because there are always fewer such workable parcels than families, and because, though each parcel of land may be of the same nominal acreage, each has a different nature, fertility, location, and degree of development (with or without clearance, grading, irrigation, roads, buildings, and the like), each must have a different market value. The distribution of land can never be universal and can never be "fair"; it must necessarily favor a selected group, and some more than others within that group.

But apart from all this, such a measure always reduces efficiency and production. From the moment it is proposed that property be seized, its owners "mine" its fertility and refuse to invest another dollar in it, and some may not even raise another crop. It does not pay to use modern equipment on small farms, and in any case the owners are unlikely to have the necessary capital. "Land reform" of this type is an impoverishment measure.

The Henry George scheme of a 100 per cent "single tax" on ground rent would also discourage the most productive utilization of land and sites, and adversely affect general economic development. But to explain adequately

why this is so would require so lengthy an exposition that I must refer the interested reader to the excellent analyses that have already been made by Rothbard, Knight, and others.⁴

Progressive Taxation

Among the "advanced" nations of the West, however, the most frequent contemporary method of redistributing income and wealth is through progressive income and inheritance taxes. These now commonly rise to near-confiscatory levels. A recent compilation⁵ comparing the highest marginal income-tax rates in fifteen countries yielded the following results: Switzerland 8 per cent, Norway 50, Denmark 53, West Germany 55, Sweden 65, Belgium 66, Australia 68, Austria 69, Netherlands 71, Japan 75, France 76, United States 77, Canada 82, United Kingdom 91, and Italy 95 per cent.

Two main points may be made about these hyper-rates: (1) they are counter-productive even in raising revenues, and (2) they do hurt not only the rich but the poor, and tend to make them poorer.

⁴ Murray C. Rothbard, *Power and Market: Government and the Economy* (Menlo Park: Institute for Humane Studies, Inc., 1970), pp. 91-100. Frank H. Knight, "The Fallacies in the 'Single Tax'," *The Freeman*, Aug. 10, 1953.

⁵ First National City Bank of New York.

All the revenues yielded by the U. S. personal income tax of 1968, with its rates ranging from 14 to 70 per cent, plus a 10 per cent surcharge, would have been yielded, with the same exemptions and deductions, by a flat income tax of 21.8 per cent. If all the tax rates above 50 per cent had been reduced to that level, the loss would not have been as much as it took to run the government for a full day. In Great Britain, in the fiscal year 1964-65, the revenue from all the surtax rates (ranging above the standard rate of 41¼ per cent up to 96¼ per cent) yielded less than 6 per cent of all the revenue from the income tax, and barely more than 2 per cent of Britain's total revenues. In Sweden, in 1963, the rates between 45 and 65 per cent brought in only 1 per cent of the total national income-tax revenue. And so it goes. The great masses of the people are accepting far higher rates of income tax than they would tolerate if it were not for their *illusion* that the very rich are footing the greater part of the bill.

One effect of seizing so high a percentage of high earnings is to diminish or remove the incentive to bring such earnings into existence in the first place. It is very difficult to estimate this effect in quantitative terms, because we are

comparing actualities merely with might-be's and might-have-been's. In March, 1947, the National City Bank, based on reports of the Bureau of Internal Revenue, presented the illuminating table below. (The dollar figures stand for millions of dollars.)

	1926-28 average	1942
National Income	\$77,000	\$122,000
Incomes over \$300,000:		
Total amount	\$ 1,669	\$ 376
Taxes paid	\$ 281	\$ 292
Top tax rate	25%	88%
No. of returns	2,276	654

In other words, during the same period in which the total national income *increased* 58 per cent, total incomes over \$300,000 *fell* 77 per cent. If the aggregate of such \$300,000 incomes had risen proportionately to the whole national income, the total would have reached \$2,644 million — seven times greater than it actually was.

A great deal more statistical analysis of this sort could instructively be undertaken not only from U. S. but many foreign income-tax returns.

It is not merely the effect of personal and corporate income taxes in reducing the incentives to bring high earnings into existence that needs to be considered, but their total effect in soaking up the sources of capital funds. Most of the funds that the present tax

structure now seizes for current government expenditures are precisely those that would have gone principally into investment — i. e., into improved machines and new plants to provide the increased per capita productivity which is the only permanent and continuous means of increasing wages and total national wealth and income. In the long run, the high rates of personal and corporate income taxes hurt the poor more than the rich.

Equality, Once for All

A socialist proposal that used to be aired frequently a generation or two ago, but is not much heard now (when the emphasis is on trying to legislate permanent equalization of incomes), is that the wealth of the country ought to be distributed equally “once for all,” so as to give everybody an even start. But Irving Fisher pointed out in answer that this equality could not long endure.⁶ It is not merely that everybody would continue to earn different incomes as the result of differences in ability, industry, and

luck, but differences in thrift alone would soon re-establish inequality. Society would still be divided into “spenders” and “savers.” One man would quickly go into debt to spend his money on luxuries and immediate pleasures; another would save and invest present income for the sake of future income. “It requires only a very small degree of saving or spending to lead to comparative wealth or poverty, even in one generation.”

Even communists have now learned that wealth and income cannot be created merely by alluring slogans and utopian dreams. As no less a figure than Leonid I. Brezhnev, First Secretary of the Soviet Communist party, recently put it at a party congress in Moscow: “One can only distribute and consume what has been produced, this is an elementary truth.”⁷ What the communists have still to learn, however, is that the institution of capitalism, of private property and free markets, tends to maximize production, while economic dictatorship and forced redistribution only discourage, reduce and disrupt it. ☉

⁶ *Elementary Principles of Economics* (New York: Macmillan, 1921), pp. 478-483.

⁷ *The New York Times*, May 29, 1971.



THE WELFARE STATE

DESPITE the ever-burgeoning tax burden of our welfare state, voluntary giving by the American people goes on apace, as the number of philanthropic appeals steadily increases. Without recourse to statistics, the average person's daily mail, plus reiterations in the media, assure him of the persistent success of privately supported causes. Furthermore, the buildings and equipment of privately funded philanthropic institutions are visual proof of their vitality. Tax deductibility only partially eases the cost of giving, a cost assumed by persons of every class. The major motive for giving is clear; in this private sector, the individual is allowed to give to causes which he truly wants to support. Also, he is assured of the effectiveness of his donations by the knowledge that

he can withdraw support whenever he believes an organization is no longer worthy and the certainty that such organizations are aware of his option.

The "public philanthropy" of the welfare state possesses no such motivation and no such safeguard. Based, of necessity, on class legislation, it appeals to the greed of the individual, as a member of some arbitrary, abstract group. (Private philanthropy would be in the same condition if its beneficiaries were empowered to vote upon, and lobby for, the nature and amounts of their benefits. Who would contribute to such institutions?) Since all classes of citizens, directly and indirectly, are now dependent on public largesse, it is understandable that each individual is motivated to vote so that his class, hence himself, will get the largest possible share of

Mr. La Dow, of San Diego, recently retired as a teacher of social studies in high school.

public funds. (The person is rare, indeed, who asks for a cut in wages or benefits!) Hence, we are faced with the odd spectacle of a millionaire allowing Medicare to pay for his operation, while a recipient of relief goes to the doctor every time he has a sore thumb. People of every class and political persuasion are aware of the shortcomings of governmental welfare programs; but the very nature of the process impels them to demand more of the same. There is also the haunting, long-held, fear that, if we should scrap these programs and turn to a free market, we would have a ghastly depression.

Reality suggests otherwise. Should we continue as we are doing, a terrible awakening is certain to come. The truism of economics is inescapable: "Wants are unlimited, while resources are in limited supply." We have been squandering our resources for decades, having attempted to repeal the law of supply and demand and the natural restraints it imposes. The continuing vitality of Hong Kong, surrounded by totalitarianism; the astounding recovery of war-devastated Germany and Japan; these are examples of the effectiveness of open competition. Our welfare state is even threatened, economically and militarily, by the totalitarian powers. We must awaken from our long holiday. Are the

American people too effete to answer a challenge of "blood, sweat, toil, and tears?" Their record of voluntary giving and ability to rise quickly to real emergency indicates otherwise.

No Lack of Philanthropy

As to any fear that dismantling of the welfare state would dry up philanthropy in this nation and see people dying for lack of food or medical care, one need only read the daily paper to see the improbability of such happenings. Even with the load of tax-supported welfare, the people's response to individual troubles is amazing. Appeals for help for the unfortunate are usually oversubscribed; nor is such help given, or taken, in a demeaning way. As always, it is public welfare, not private charity, which is truly demeaning. Generosity and gratitude are beautiful emotions which draw persons together as no public largesse can do. Think of the good which could be done voluntarily if the funds extracted for public welfare measures were left in the hands of individuals!

The foregoing suggestion may not justly be called Brahministic or devoid of concern for the common man. The tax load of the welfare state falls most heavily on the common man, who is in no position to claim capital losses or tax

shelters, or to pass along his tax costs in the form of higher prices. The easy road to great fortunes and the tax-free status of many of our wealthiest persons are hallmarks of the welfare state. At the other extreme, the poor man, spending most of his income for necessities, is locked into the cruel bind of tax and inflation. Who pays for the government's farm programs? The only honest reply: "The poor people in the cities." On the other hand, farmers are impoverished by rising costs of machinery and supplies due to government pampering of organized labor, plus the exorbitant taxes and interest which stem from the profligate policies of a welfare state. The true charge of Brahminism fits best those welfare policies which are designed to fasten the individual to a place in an arbitrary caste system of "benefits" while taxing away his chances of social mobility.

Failure of the current administration to even begin to dismantle the bureaucracy as promised indicates a need for major surgery.

When government officials, in so many cases, seem no more aware of fundamental economic law than are their constituents, it is difficult to see how correction can come. It usually takes a great shock to shake a nation into a grand decision. The blitz-bombing did it to England. Catastrophic defeat accomplished it in West Germany and Japan. Such feats, as in England, are often ephemeral. The magic of Germany and Japan may well end in reaction. However, the debacle of 1929, which introduced our welfare state and started a movement continuing to this day, is some proof of our persistence, however perverse. Nevertheless, a steady growth of conservative opposition, both in quantity and quality, has been apparent. Those who are rebuffed are obliged to pursue education and improve their talents, while those in power grow slack. It may well be that when the next shock comes, as it surely must, voters will be ready to listen to the call to turn philanthropy back to the people. ☸

IDEAS ON

William Feather

LIBERTY

WHICH TOWN is better off, one which organizes a new uplift movement every three months, or one which opens a new factory?

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

7

The First American
Crisis: 1763-66

IT MAY WELL BE that the pivotal event for the onset of American resistance was the coming to the throne of the United Kingdom in 1760, of George III. He was the third of the Hanoverian monarchs of England, the grandson of George II who immediately preceded him, and the great grandson of George I. He was the first of this line of British rulers to be native-born, a fact he thought worth emphasizing. When George III came to the throne, he was in the first blush of manhood, and this promising young man should have been a welcome relief from the rule of his grandfather, who had no high regard for his own abilities. Indeed, the powers of the monarch had declined greatly in the unsure hands of both George I and George II. It was commonly said that ministers were kings during this earlier period, and there can be no doubt that the Whigs had dominated so long that the government was run by factions within a party rather than by political parties.

It became clear rather quickly that George III intended to change much of this. He meant to bring the executive authority into his hands and to direct the course of

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Parliament as well. George III was a man of strong will — unbendably stubborn when he had set his mind on a course — much courage, and already in grasp of some of the principles of power when he was crowned.

One of his first acts was to displace William Pitt, the Elder, from leadership of the government. Beyond that, he acted to break up the dominance of the Whig party, professing to want members of the cabinet who were the ablest instead of those who belonged to a particular party, but probably moved also to this as a means of loosening Whig rule. His method of dominating Parliament was not particularly subtle: he bought the necessary numbers by handing out sinecures to those who would do his will. He visualized himself as a patriot king who would not only restore some of the glory of monarchy but also instill pride and greatness in the people over whom he ruled. Instead, it was his lot to see the dismemberment of his empire and the British people determined to limit the power once again of a briefly resurgent monarchy.

Harsh Rule and Additional Appointments

This new king's determination to rule as well as to reign affected the colonial situation in two ways

particularly. Whig ministers had generally ruled with an eye toward accommodating the Americans rather than using undue force. For example, Pitt arranged to reimburse the colonies for their effort during the French and Indian War rather than insist that they should honor requisitions without hope of return. Over the years, Parliament had permitted the colonies to legislate for themselves — subject to having their acts vetoed, of course — rather than imposing legislation upon them for their internal arrangements. As the new monarch broke up this Whig rule, he appointed officers more concerned with imposing British rule and less concerned with maintaining good trade relations which would benefit British merchants.

Secondly, the new monarch augmented his power by increasing the number of appointive positions. By appointments he rewarded his friends in Parliament and increased the number of people who owed their positions to him. This fact of political life gave George III incentive to maintain larger armies and navies as well as more civilian agents in the colonies. That such actions did not endear the monarch to his colonial subjects did not greatly trouble him during the early years of his rule.

Writs of Assistance, 1761

It is difficult to decide exactly when the train of events got under way which led to open resistance in the colonies. The British government adopted a more rigorous enforcement of the navigation laws during the French and Indian War. As already noted, George III came to the throne in 1760. Convention has it that the train of events began in earnest in 1763. But there was one bellwether event which occurred in the colonies before that time. It involved a court case which was argued in 1761 in Massachusetts over the issuance of writs of assistance in that colony. A writ of assistance was a kind of general search warrant without a fixed date of termination which would enable officers to search for merchandise illegally brought into the colonies. Unlike a search warrant, it did not require the naming of the place to be searched or what goods were to be located. Such writs had been issued in 1755, and there were applications for new ones after George III came to the throne.

James Otis took the leadership in opposing the issuance of new writs before the court in the old townhouse in Boston. If Otis had contented himself to argue against the issuance of the writs on the grounds simply that there were

few precedents for them in more recent times, the occasion might not have been remembered. But he went much further than this: he proclaimed such writs to be contrary to reason and denounced them as arbitrary and tyrannical by nature. According to John Adams' reconstruction of his speech, he said: "Every one with this writ may be a tyrant; if this commission be legal, a tyrant in a legal manner also may control, imprison, or murder any one within the realm. . . . Every man may reign secure in his petty tyranny, and spread terror and desolation around him."¹ He declared his opposition to them in emotionally charged language: "I will to my dying day oppose with all the powers and faculties God has given me, all such instruments of slavery on the one hand, and villany on the other, as this writ of assistance is."²

James Otis lost this particular case before the court, but he emerged from it as the man who would take the earliest leadership in presenting and arguing the American cause. His local popularity was vouchsafed in the ensuing election when he became representative for Boston in the

¹ John Braeman, *The Road to Independence* (New York: Capricorn Books, 1963), p. 14.

² *Ibid.*, p. 13.

Massachusetts legislature. For the next three or four years he used his pen as well as his forensic abilities to formulate and expound the rights of Americans and the limits of British rule. Whether he would have continued his early leadership role in the later stages of resistance will never be known, for he was inactivated by bouts with insanity after 1769.

Turning Point in 1763

A cluster of events in 1763 does mark a turning point in British and American relations, as has been commonly held. Up to that point, there is no evidence of resistance to British rule, though, of course, there were objections to particular actions. To all outward appearances, Americans generally accepted British rule if it could not be said that they were always contented with it.

In retrospect, historians are apt to see that the stage was already set for independence. Trends were well on their way to fruition which prepared the way for American separation. Americans were very nearly cut loose already from the Church of England which was the religious basis of being English. Colonists had much experience in politics which prepared them for governing themselves. There was widespread sensitivity to any dangers to liberty in ac-

tions by the British government. The natural law philosophy was familiar to thinkers, and was at hand to serve as a basis both for breaking from England and erecting new governments. Feudal, mercantile, and religious restrictions were very nearly anachronisms in America already.

Even so, Americans were a long way from being ready for independence in 1763. The above were conditions which might well have continued to exist for a long while without leading to independence. Americans still professed their allegiance to the king, as they would continue to do for more than a decade. Their rights and privileges they still traced to England, and the claims to their property to royal grants. There was as yet neither a sense of unity among the continental colonies nor any factual unity, except for a common allegiance to the British monarch. The conference at Albany in 1754 had shown how little desire there was for common action by the colonists.

Resistance to Britain, then, was provoked by changes in British policies, and these began most notably with a cluster of actions in 1763. Most of what happened in 1763 was not so much the provocation of resistance as the prelude to it. One of the most momentous of the developments of that

year was not provocative at all. It was the Treaty of Paris which brought to a conclusion the Seven Year's War. By its terms, Britain got all French territory in Canada and all territory east of the Mississippi river, except New Orleans, belonging to both France and Spain. No longer were the American colonies threatened by European powers with immediately adjacent territories. It was now much easier to think in terms of independence from Britain.

Restrictions on opening up this new territory did provoke many colonists. Pontiac's Rebellion broke out as Indians feared and resisted encroachment by the white man in the interior. The British government attempted to prevent settlement beyond the mountains by the Proclamation of 1763. The crucial part of the Proclamation is found in this prohibition: "that no governor or commander in chief of our other colonies or plantations in America, do presume for the present, and until our further pleasure be known, to grant warrant of survey, or pass patents for any lands beyond the heads or sources of any of the rivers which fall into the Atlantic Ocean from the west or north west. . . ."³ The effect of

this on colonists has been described in this way: "The establishment of the boundary line of 1763 blocked at once the plans of land companies such as the Ohio Company of Virginia which had a grant west of the line, and the schemes of new companies which planned to take up land in the Ohio and Mississippi valleys. The whole region on which men had fastened such high hopes was now reserved to the despised Indians."⁴ These restrictions were particularly galling in view of the fact that taxes were shortly to be levied on the colonists to help pay for their defense.

The "Parson's Cause"

Another symptomatic event occurred in 1763. It is known as the "Parson's Cause." It was a symptom both of the potential for resistance to British impositions and of the limits to that resistance at this time. The "Parson's Cause" was a court case arising out of the payment of the Anglican clergy in Virginia. A Virginia Act of 1748 provided that each such clergyman should have an annual salary of sixteen thousand pounds of tobacco. Confronted with a crop failure in 1758, the Virginia legislature authorized

³ Jack P. Greene, ed., *Colonies to Nation* (New York: McGraw-Hill, 1967), pp. 17-18.

⁴ Merrill Jensen, *The Founding of a Nation* (New York: Oxford University Press, 1968), pp. 58-59.

that all debts and taxes payable in tobacco could be paid at the rate of two pence per pound of tobacco, a rate of about one-third the price that tobacco was bringing. The Privy Council in England disallowed the law, and some clergymen sued for damages. The most famous suit was brought by the Reverend James Maury. The court found the law invalid and remanded the case to trial before a jury to determine the amount of damages to be paid.

The case attained its fame because of the efforts of Patrick Henry, who was one of the lawyers opposing Maury. Patrick Henry's arena was politics, and the endeavor in which he excelled was oratory. It took him a while to discover this. He was an undistinguished student. He tried his hand twice at storekeeping, and was a failure both times. His efforts at becoming a farmer met with a like reward. He then studied law briefly, and was admitted to practice at the age of 24. He rapidly acquired a sizable practice, and emerged as a popular political leader and a much sought after lawyer following the "Parson's Cause." His fiery oratory in defense of colonial rights eventually earned him a special niche in history books and a unique position among American heroes.

Enter Patrick Henry

According to the Reverend Mr. Maury, who was, of course, a biased witness, Patrick Henry "harrangued the jury for near an hour" toward the close of the case known as "Parson's Cause." He argued that the Virginia Act of 1758 met all the qualifications of good law, and "that a King, by disallowing Acts of this salutary nature, from being the father of his people, degenerated into a Tyrant and forfeits all right to his subjects' obedience." Moreover, he declared that it was the duty of the clergy of an established church to support law, and not to be going into the courts to challenge it. The jury upheld Mr. Maury's claim, as it was informed by the court it must, and awarded him one penny's damage for his losses. British rule had been technically vindicated, but everyone perceived that Henry had, in fact, won the case. His remarks about the king's becoming a tyrant were greeted with murmurs of "treason,"⁵ but neither judge nor jury reproved him. Virginians were used to maneuvers by which the will of British rulers was thwarted. There was nothing new in this. Henry's rhetoric was audacious, however, and the reward he received in public admiration suggests that sentiment was shifting away from

⁵ See Braeman, *op. cit.*, pp. 17-19.

ancient loyalties toward new visions.

Occasions for expressing these changing sentiments were not long in coming. In fact, a change in ministries in Britain had occurred before some of the above events which set the stage for provocative action. In April of 1763, George Grenville became Chancellor of the Exchequer and formed around him a new government. Grenville should have been able to deal with Britain's financial problems, if anyone could, for he had long experience in finance. He had served earlier as a lord of the treasury and as treasurer of the navy. Moreover, "Grenville's chief concern was revenue and economy; they were his passion, which he pursued relentlessly. . . . He could not endure the sight of red ink, an unbalanced budget, or waste and extravagance. . . ."⁶ King George found him to be a bore with his interminable talk of money, but Grenville was the man given the task of doing something, and do something he did from 1763 to 1765.

George Grenville's ministry was responsible for two major lines of action on the American colonies. One was the tightening of administration and enforcement of the

laws. The other was the passage of laws which were aimed at raising revenue from the colonies. An apparently casual action by Parliament in 1763 set the stage for much that followed. In March of that year funds were voted for maintaining a standing army in America. This was handled without much ado, since there was already an army in America in connection with the war. Grenville had a more direct hand in stationing naval vessels in America. He was First Lord of the Admiralty, and had much to do with getting the law passed which effected this. "The law gave naval officers power to act as customs officials. . . . By the autumn of 1763, naval vessels were cruising in American waters from Newfoundland to the West Indies, with their officers and crews on the alert for the profits to be gained from the capture and successful prosecution of illegal traders."⁷ A profound change was occurring between Britain and her colonies; the decision to have military force available was a prelude to increased exercise of authority by Britain. This change could be made with little fanfare because it did not differ on the surface from what had just been done during the French and Indian War.

⁶ John C. Miller, *Origins of the American Revolution* (Boston: Little, Brown and Co., 1943), p. 83.

⁷ Jensen, *op. cit.*, p. 45.

That Grenville meant business should have been clear from his orders to customs officials in 1763. Appointments to major customs posts in the colonies had long been sinecures for Englishmen. Quite often they drew their pay while continuing to reside in Britain. Grenville decreed that henceforth they must reside in America. Many who held such positions resigned rather than to go to live in the colonies, and new officers were appointed in their stead.

Grenville took the lead in getting much new legislation for the colonies in 1764. The key piece of legislation is the one usually referred to as the Sugar Act, though it dealt with a great deal more than sugar. The act lowered the duties on molasses coming into the colonies, prohibited the importation of rum, added items to the enumerated lists, and provided strenuous regulations on shipping for its enforcement. The greatest departure from precedent in it was that it was designed to raise revenue. The preamble reads, in part: "Whereas it is expedient that new provisions and regulations should be established for improving the revenue of this kingdom . . . : and whereas it is just and necessary, that a revenue be raised, in your Majesty's said dominions in America, for defraying the expences of defending, protecting, and secur-

ing the same; we . . . have resolved to give and grant unto your Majesty the several rates and duties herein after mentioned."⁸

Regulations on Shipping

Even more galling to many people involved may have been the onerous regulations on shipping from the British West Indies. Captains of vessels had to have affidavits, certificates, definitive listings of goods, and had to post bond. Moreover, the burden of proof that he had in every way complied with the law was placed on the shipper in order to reclaim a vessel after it had been seized by the authorities. The Act read, in part: ". . . if any ship or goods shall be seized for any cause of forfeiture, and any dispute shall arise whether the customs and duties for such goods have been paid, or the same have been lawfully imported or exported, or concerning the growth, product, or manufacture, of such goods . . . , the proof thereof shall lie upon the owner or claimer. . . ."⁹ In addition, the act provided mandatory decisions for juries, partially, at least, taking discretion from them. "The result of these provisions was to free customs officers from virtually all responsibility for their actions. . . . Small wonder

⁸ Greene, *op. cit.*, p. 19.

⁹ *Ibid.*, p. 24.

that the Americans fought back."¹⁰

The Currency Act of 1764 was yet another attempt of the British government to impose its authority. This act forbade the colonies south of New England to make any further issues of paper money which would be legal tender in any sense. They were now to be at the mercy of a money situation which was artificially tipped in favor of Britain.

The colonists had hardly had time to take in the implications of the Sugar Act when Parliament passed the Stamp Act. It was passed in March of 1765. The Stamp Act required that after November 1, 1765, stamps be used on all legal papers, commercial papers, liquor licenses, land instruments, indentures, cards, dice, pamphlets, newspapers, advertisements, almanacs, academic degrees, and appointments to office. The money collected from the sale of stamps was to go to the British treasury to be used for expenses incurred in America. This act was the most clear-cut departure from tradition yet made by the British government, for it placed a direct tax on the Americans, something that had not been done before.

It was followed in very short order by an indirect taxing measure, an act known as the Quartering Act, passed in May of 1765. The

act provided for the quartering of troops in the facilities of colonial governments, in alehouses and inns, and in unoccupied dwellings. So far, so good, but the act also provided that "all such officers and soldiers, so put and placed in such barracks . . . be furnished and supplied there by the persons to be authorized or appointed for that purpose . . . with fire, candles, vinegar, and salt, bedding, utensils for dressing their victuals . . . without paying any thing for the same. That the respective provinces shall pay unto such person or persons all such sum or sums of money so by them paid. . . ."¹¹ In short, the colonies were to be indirectly taxed for the maintaining of troops in quarters; they might levy such taxes themselves, but they were to be compelled to do so.

However, the fat was already in the fire well before news of the Quartering Act had reached America. Resistance was mounting in America even before the Stamp Act was passed. Some were alarmed by the revenue aims of the Sugar Act, perceiving in it a violation of the principle of taxation without representation. "When it was learned in Boston that the British government intended to collect duties on foreign molasses, the merchants appointed

¹⁰ Jensen, *op. cit.*, p. 51.

¹¹ Greene, *op. cit.*, p. 44.

a corresponding committee to consolidate the opposition of the Northern merchants to the Sugar Act and to 'promote a union and coalition of their councils.'"¹² The New York legislature denied the justice of duties placed on the trade of New Yorkers, and declared that it was their right to be free of involuntary taxes.¹³

But it was resistance to the Stamp Act that drew the colonies together in a unity of opposition. Opposition was shaping up even before the act was passed. Nor was Parliament wanting in opponents of the taxing idea. When Charles Townshend asked: "Will these Americans, children planted by our care, nourished up by our indulgence . . . , will they grudge to contribute their mite . . . ?" He was answered in resounding terms in a speech by Sir Isaac Barré:

They planted by your care? No! Your oppressions planted 'em in America. They fled from your oppression. . . .

They nourished by your indulgence? They grew up by your neglect of 'em. As soon as you began to care about 'em, that care was exercised in sending persons to rule over 'em. . . .

They protected by your arms? They have nobly taken up arms in your defence. . . .¹⁴

This was the famous "Sons of Liberty" speech, for Barré used the phrase in describing the Americans, and it came to be used as the basis of organizations in America. Before the Stamp Act was passed, several colonial legislatures went on record as opposing it. All this was to no avail, the die had been cast in 1764, and Parliament proceeded to the enactment of a direct tax.

American Sentiment Misread

Not only was Parliament misinformed as to the probable reception of the act in America, but even colonial agents representing colonies in England had misjudged American sentiment and determination. Several agents accepted commissions as stamp agents, actions which they were to regret. Even the usually prudent Benjamin Franklin caused friends to be appointed stamp agents and expressed himself of the opinion that the wise course would be to abide by the law.¹⁵

Whether it would have been wise to do so or not, obedience was not the course followed in America. On the contrary, Americans moved from opposition to resistance to outright defiance. Colonial legislatures adopted resolu-

¹² Miller, *op. cit.*, p. 101.

¹³ Jensen, *op. cit.*, pp. 94-95.

¹⁴ *Ibid.*, pp. 63-64.

¹⁵ See Lawrence H. Gipson, *The Coming of the Revolution* (New York: Harper Torchbooks, 1962), p. 83.

tions against the tax. Virginia led the way under the prodding of Patrick Henry. He charged that the Stamp Act was an act of tyranny and was reported to have declared: "Tarquin and Caesar had each his Brutus, Charles the First his Cromwell, and George the Third—" The Speaker of the House interrupted him to declare that he had spoken "Treason!" With only a brief pause, Henry continued: "— may profit by their example! If *this* be treason, make the most of it."¹⁶ Not all of Henry's resolutions were adopted by the House of Burgesses (though they were all published in newspapers elsewhere), but, of those that were, the following gives the crux of the argument:

Resolved. That the taxation of the people by themselves, or by persons chosen by themselves to represent them, who can only know what taxes the people are able to bear, or the easiest method of raising them, and must themselves be affected by every tax laid on the people, is the only security against a burthensome taxation, and the distinguishing characteristic of British freedom, without which the ancient constitution cannot exist.¹⁷

Massachusetts sought to go beyond the action of separate reso-

¹⁶ *Ibid.*, p. 87.

¹⁷ Richard B. Morris, *The American Revolution* (Princeton: D. Van Nostrand, 1955), p. 90.

lutions by colonial legislatures to some sort of common action. The assembly of that colony, therefore, sent out a call for a congress. It was fulfilled, at least partially, by the meeting of the Stamp Act Congress in New York in October of 1765. Six legislatures sent delegates, and three other colonies were represented by delegates not so formally chosen. The delegates in Congress assembled affirmed their allegiance to the king and their willing subordination to Parliament when it acted properly. But they resolved that there were limits to this authority, some of which they spelled out:

That it is inseparably essential to the freedom of a people, and the undoubted right of Englishmen, that no taxes be imposed on them but with their own consent, given personally or by their representatives. . . .

That the only representatives of the people of these colonies are persons chosen therein by themselves, and that no taxes ever have been or can be constitutionally imposed on them, but by their respective legislatures.¹⁸

The most dramatic action, of course, was direct action. The groundwork was laid for direct action by the Committees of Correspondence, and much of it was done by the Sons of Liberty. The first effort was to secure the res-

¹⁸ *Ibid.*, p. 91.

ignation of stamp agents, without whom the stamps could not readily be distributed. In some colonies, stamp agents resigned when they perceived the temper of the people. In others they held out for awhile, and were subject to threats, abuse, and humiliation. The case of Jared Ingersoll of Connecticut who had accepted an appointment as stamp agent while in England as colonial representative shows the lengths to which crowds went sometimes to secure a resignation. "They caught Ingersoll at Wethersfield and silently and pointedly led him under a large tree. They parlayed for hours . . . , with Ingersoll squirming, arguing and refusing to resign. The crowds . . . grew so large and threatening that finally Ingersoll read his resignation to the mob and yielded to the demand that he throw his hat in the air and cheer for 'Liberty and Property.'"¹⁹

No Stamps Available

So successful was this direct effort that on the day that the Stamp Act was to go in effect there were no stamps available in the mainland colonies. The question became now whether business would go on as usual in defiance of the law. If the law were observed, ships would not sail, courts would not hold sessions, newspa-

pers would not be published, and much of life would come to a standstill. Many newspapers continued to be published; ships sailed, and some courts carried on business. In short, the colonists operated in defiance of the law.

Parliament was confronted with a crisis in America, one of its own making, when it convened in December of 1765. However, the king's speech opening the session acknowledged only that "matters of importance have lately occurred in some of my colonies in America. . . ."²⁰ Even so, Parliament had to take some kind of action. It had to take Draconian measures to achieve enforcement, or it had to back down. Grenville's ministry had already fallen, and a new government was organized under the leadership of Rockingham. With the matchless orator, William Pitt, Earl of Chatham, taking the lead in the debate for repeal, the House voted 275 to 167 for repeal on February 22, 1766. The bill was signed into law on March 18. However, Parliament refused to yield on the principle, for it insisted on passing the Declaratory Act, which went into effect on the same day that the Stamp Act was repealed. The Declaratory Act tried to make up in unyielding language for what had, in fact, been yielded. It declared, in part: "that the

¹⁹ Jensen, *op. cit.*, p. 113.

²⁰ Gipson, *op. cit.*, p. 105.

King's majesty, by and with the advice and consent of the lords spiritual and temporal, and commons of *Great Britain*, in parliament assembled, had, hath, and of right ought to have, full power and authority to make laws and statutes of sufficient force and validity to bind the colonies . . . in all cases whatsoever."²¹

The theoretical issue was joined, but the crisis had passed — for the moment.

This was the first American crisis. It was the first because for the first time all the colonies were drawn together in action and resistance to Britain. Heretofore, they had been separate, linked only by their common allegiance to Britain; now, they had been linked without that tie in common sentiment and for a common cause. Not only that, but they had seen Britain falter before their resolution and back down.

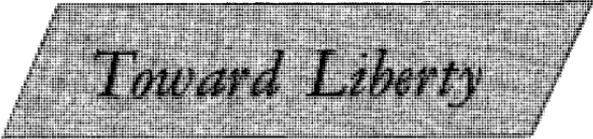
Several other points need to be made about this crisis. One is that it was provoked by British action. Parliament was the innovator, abandoning precedent to tax the colonies, extending itself to direct taxation, which hardly anyone in America would admit was its right. The colonists were defend-

ing; in an important sense, they were conservative, for they were attempting to preserve the rights and privileges they had enjoyed. Another point is that the course on which Parliament was bent was potentially tyrannical. Force was being assembled in America; Parliament was moving to take colonial control of their domestic affairs from them. Thirdly, the colonists based their arguments on the rights of Englishmen and the British constitution. They were not rebelling; they were resisting what they perceived as unconstitutional action.

The colonists drew a line beyond which they said Parliament was not to go. They denounced direct taxes imposed from without, and distinguished between internal and external taxation, the latter some theorists held to be acceptable. Parliamentary leaders learned from this debacle. Never again would they act so directly on America. They would now try by less direct means to accomplish their object. But the Americans had been aroused; henceforth, every act of Parliament would be examined with great care to see if there was in it a potentiality for oppression. Such acts were not long in coming. ☉

²¹ Greene, *op. cit.*, p. 85.

Next: British Acts become Intolerable.



Toward Liberty

THE STORY is told that whenever Professor Ludwig von Mises encountered a gleam of originality in a paper submitted by a student, he would urge that student to develop the perception or insight in a systematic way. The sixty-six authors who have contributed to the two volumes of *Toward Liberty*, a collection of essays offered by the Institute for Humane Studies (\$10.00) in honor of Mises on the occasion of his ninetieth birthday, are all, in one sense or another, graduates of the Mises "praxeological" school, students of "human purposive activity" (the quotation is from Murray Rothbard). What we have here, then, is originality as sparked by the most fecund economic teacher of our times, a vast expansion of perceptions that could not have been developed by one man alone. Yet, as surely has been the case with

Mises' own seminar students, the sixty-six contributors to *Toward Liberty* would certainly admit that they stand on the shoulders of one man alone, which gives Mises something of the stature of an Atlas. (Need we add that his particular Atlas, unlike the flawed figure in the title of Ayn Rand's novel, has never "shrugged?")

The unifying thread in these two volumes is provided by a common devotion to the principle of peaceful voluntarism, which enables "human action" to proliferate in thousands of fructifying ways that are strangled in the crib in any interventionist atmosphere. Within the basic unity, however, the diversity of the sixty-six essays presents an insuperable obstacle to the reviewer. Many of the essays concentrate on the dire effects of state intervention in the economic processes of relatively

free societies. Other papers focus on the impossibility of calculation in societies that have gone most of the way to communism. A few authors pay their specific disrespects to the late Lord Keynes. Since the contributors come from seventeen different countries, it is interesting to observe what local conditions have done to affect specific approaches to voluntarism. Then there are the essays which seem to depart from the Misesian line but which really do not when one considers that in the wider Misesian market "all human values are offered for option," even the values that affect economics only by indirection.

The richness of the books is evident in the multiplication of stray observations that defy current orthodoxies. Picking at random, we have Paul Poirot's observation that the most polluted properties are those not clearly subject to private ownership — rivers, streets, parks, schools and the body politic, to mention a few. Hans Sennholz notes an irony in Milton Friedman's efforts to get away from the orthodox gold standard — "monetary freedom," says Sennholz, "would soon give birth to a 'parallel standard'" that would permit individuals to make "gold contracts," and so we would be back on a gold standard despite

Friedman's efforts to do away with something that he regards as tyranny.

Results of Intervention

Looking at thirty years of rent control in Sweden, Sven Rydenfelt notes that the rich seem to wind up with the most desirable housing, while young families have frequently to wait for years for decent space. In Yugoslavia, according to Ljubo Sirc, the attempt to superimpose an "as if" competitive system on State enterprise can't get off the ground because the founding of new enterprises remains in the hands of political bodies. The English contributors to *Toward Liberty* struggle to find scope for free choice in an advanced welfare state. Ralph Harris sees some hope in the movement toward "selectivity in welfare," but he laments that right-wing paternalists gang up with left-wing traditionalists to prevent a significantly large return to "private welfare suppliers" in insurance, medicine and education.

Writing about the struggle of Latin American countries to achieve "take-off," Ulysses R. Dent of Guatemala remarks on the strange irony that the foreign aid ponied up by taxpayers in the capitalistic U.S.A. has provided the funds for socialistic takeovers.

Thus we export what we profess to hate. A Mexican contributor, Alberto Salceda, speculates that it was "Essene" corruption of Biblical texts that has made Jesus seem anti-capitalist. In the non-Essene parts of the gospels Jesus frequently endorsed the Commandment that says "Thou shalt not covet," which means that he was no supporter of the envy that is at the root of modern efforts to spread "social justice" by force.

The topic of GNP — gross national product — begets a sapient observation from Giuseppe Ugo Papi of Italy that a preoccupation with macroeconomics keeps us from seeing that augmentations of the GNP start from below, in the potential of the individual. When governments try to expand the GNP by planning, they really lead to its diminution in real terms. An Irish contributor, George Alexander Duncan, thinks it odd that the governments of the United States, the United Kingdom and the French Republic have destroyed the economic basis of their Caribbean dependencies by subsidizing extravagant beet-sugar production at home — and then compound the idiocy by sending "aid" to the cane-sugar countries to be wasted by politicians who neither toil nor spin.

Publishers and the Market

Henry Regnery, the dean of our conservative publishers, obviously hopes he will not be condemned for lese majesty when he points out that Mises' great work, *Human Action*, was originally published by a university press that was "neither subject to the disciplines of the market nor to the restrictions that purely market considerations impose." Actually, despite Mr. Regnery's trepidation, there was no doctrinal contradiction involved in the fact that it was a noncommercial publisher, the Yale University Press's Eugene Davidson, who accepted *Human Action* back in 1948 without the change of a single word. The Yale Press in Davidson's time (and maybe now, for all I know) was the recipient of support that was voluntarily donated by non-governmental benefactors, which brings it within the purview of Leonard Read's "anything that's peaceful" test. A voluntarily subsidized university press is part of that wider market in which "all human values are offered for option." The voluntary subsidizers in the case of *Human Action* were getting what they paid for, which happened to be the circulation of a work which their chosen editor had rightly approved. So let Henry Regnery stop worrying; he has

not had to make any exception from Misesian principle in writing his essay on "The Book in the Market Place."

I have merely scratched the surface in this attempt to indicate some of the riches of the two-volumed *Toward Liberty*. Sixty-six essays are too much for one review. Fortunately they are not too much for a single reader, though he will need a command of four languages to read every word that is offered "for option" by the books' editors.

- **FIRST THINGS, LAST THINGS**
by Eric Hoffer (New York: Harper & Row, 1971, 132 pp., \$4.95)

Reviewed by Robert M. Thornton

THE ICONOCLASTIC ex-longshoreman is in rare form in his new book. Hoffer fits none of the contemporary pigeonholes but directs his shafts of idiocy and sham wherever he finds them. Today's hunting is best on the left, and Hoffer's deadly aim picks off a number of cows held sacred by today's intellectuals. What a pleasure to read a man who nonchalantly heaves dead cats into the stuffy sanctuaries of "liberalism."

Consider his treatment of ecology. The cry is "back to nature," but Hoffer reminds us that the great achievements of civilization

have come from cities and that nature has always been, in a sense, man's antagonist, something he must live with but also overcome or be destroyed. In Africa, for instance, the real battle is not against colonialism but nature. Even in the great cities of our nation, he writes, the problem is still nature — our inner natures which are turning many into primitive savages as self-discipline and outside controls are cast aside. Hoffer denies that mere expenditures of money will help the cities. The task, he writes, is to lure out the chronically poor and induce exiled suburbanites to return. One way to achieve the former is to end the welfare system, and the latter will be accomplished when city governments perform their rightful functions well and relieve taxpayers of the burden of unnecessary expenditures.

This is a book to stir up the mind, for despite his scorn for the pseudo-intellectual, Hoffer is the real thing, a man of ideas who has not gone "a'whoring after false gods." And he is an example of the best that America can produce in common men. Without family connections, social position or inherited wealth and with very little formal education, Hoffer nevertheless has been able to make his mark in the world of ideas. One hopes this won't be his last slim volume of hard thinking and clear writing.

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the Freeman

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UTOPIA

dream into nightmare



ALEXANDER WINSTON

PLATO FATHERED the first blueprint of a planned society, and his descendants still clasp us in a sticky embrace while they rifle our freedoms. His *Republic* mapped out a spartan state run by benevolent philosophers, defended by a secondary caste of warriors, and supplied with the necessities of life by a mass of farmer-artisans whose only political role was to obey. He did away with two obstacles to the ordered state: private property and the family. In the *Republic* each citizen performs that task for which he is fitted; the lowly toiler's ignorance is his bliss; and all parts of the body politic function together in well-oiled harmony.

Thomas More's *Utopia* (Greek for "no-place") in 1516 gave the

name to this whole type of literature. A spate of others followed: Andreae's *Christianopolis* (1619), Campanella's *City of the Sun* (1623); Bacon's *New Atlantis* (1627), to cite a few; then a growing flood rising from the French Revolution and spreading amidst the industrial turmoil of the nineteenth century (Edward Bellamy's *Looking Backward*, 1888, being the most popular); and on to our own day in such projections of the future as H.G. Wells' *Modern Utopia* (1905) and B.F. Skinner's *Walden Two* (1948).

They number by the score, and their variety in detail is as great. The majority rely on rule by an aristocracy of merit, a few try to preserve a modicum of democracy; most are communistic, but one at least (Hertzka's *Freelands*, 1890) recognizes self-interest as basic and aims to save capitalism by restraint on overproduction. They

A former lecturer in philosophy at Tufts College, Dr. Winston has written extensively in the field of history. His most recent book is *No Man Knows My Grave: Privateers and Pirates, 1665-1715*.

may be secular or religious, agricultural or industrial, favorable to education or distrustful of it, resolutely egalitarian or frankly hierarchical.

Common Assumptions

However, certain elements of these multiform visions emerge with such frequency that they deserve our attention. The utopian pictures a static society in which careful planning solves every major problem of human life. Faith is placed in a collectivity that owns or controls all property. Competition for markets or jobs vanishes. Family ties diminish, and the rearing of children by the state is taken for granted. Everything is rationally ordered by those most capable of doing so: Plato's guardians, More's king and his advisers, Bacon's Solomon's House scientists, Bellamy's industrial council, Wells' austere samurai, Saint-Simon's Council of Newton, Campanella's quartet of superior men, Skinner's panel of psychologists.

In utopia everyone works, the women on equal terms with the men. Hours are short — four to six daily—and retirement as early as age fifty, but the wants of the people have a stoic simplicity, and all enjoy a decent living. There is little to quarrel over, the atmosphere is uniformly brotherly,

crime is almost unknown and disease rare—a perfect whole of perfect parts, all supremely content. “U-topia,” the no-place, is plainly “eu-topia” the happy place.

But how to get there? Utopians had no answer to that, and avoided the question. They sprang their flawless states full-armed from the ink-pot, always somewhere else—a distant island, an obscure wilderness, another planet—or at a dim future time. The transition from a callous, exploitive society, its people already deformed by prevalent evil, to one of affection and universal sharing, struck the utopians dumb. Their residue of hope rested in a double view of human nature. They mixed these two elements at will, for each one favored a regeneration of man's sorry existence. In one they saw man fundamentally good (but perverted by a debasing environment); in the other they saw man quite plastic, molded to the last detail by his surroundings. Either way, the right society would very quickly set men right.

A combination of circumstances after 1800 convinced social idealists that the time was ripe for bringing heaven to earth. The French Revolution had produced a new crop of theorists, the long hours and short pay of the early factory system promised to grind down the poor, and overseas the

American republic offered a haven for all who wanted to try something better than mankind had ever known. "Our fathers have not seen it," said Saint-Simon; "our children will arrive there one day, and it is for us to clear the way for them."

American Experiments

The result was more than 130 attempts to establish utopian societies in the United States during the nineteenth century. A ferment of change filled the air, even in staid New England. "We are all a little wild here with numerous projects of social reform," Emerson wrote to Carlyle. "Not a reading man but has a draft of a new community in his waistcoat pocket." Many of the settlements were European in origin as well as theory; some seeking escape from religious persecution, others imbued with recent secular plans for utopia; but all drawn by the cheap land of the American frontier and the easy tolerance of the young republic that had thrown off the shackles of old Europe and considered itself the vehicle of the new age. At last the utopians had before them something very like the fabulous island of the old dreamers. In America they could found minuscule states, as self-sufficient as possible, based on common ownership of property,

filled with the brotherly spirit, and isolated from contamination by the outside world. "Our ulterior aim," said young Charles Dana of Brook Farm, "is nothing less than heaven on earth."

As might be expected, some of these starry-eyed experiments were simply preposterous. At Fruitlands that "tedius archangel" Bronson Alcott would not harness work-horses to the plow (unnatural), nor allow sugar (reaped by slaves), nor wear woolen cloth (robbed from sheep), nor spread manure on the fields (filthy stuff), nor burn whale-oil lamps (from slaughtered whales). Shakers led by an illiterate factory girl hailed as "Ann the Word" were strictly celibate, and regulated the lives of the faithful down to such details as what shoe to put on first in dressing, and which trouser-leg to step into. An irresistible little fellow in Michigan got himself proclaimed James I of Zion by 2,000 adherents and five wives; "King Benjamin" of the House of David announced that he was the younger brother of Jesus Christ; the final verdict in the early days of the Amana settlement rested with an oracular *Werkzeug* whose utterances came straight from God; the ruler of a Florida colony taught that we all live inside the earth, our feet on its inner surface. The Lake Erie

Brotherhood of the New Life gave major attention to the sisterhood, in the belief that:

“Soul-life and sex-life are at one,
In the Divine their pulses run.”

Robert Owen and Charles Fourier

Founders of other perfectionist settlements were more sincere and a bit less silly. Robert Owen, a successful English textile manufacturer, believed community of property essential to the good life, and was sure that the individual is totally shaped by his environment. In 1825 he bought up the extensive holdings of a religious community that was moving from Harmony, Indiana. The 900 who flocked in at his open invitation seemed to Owen's son a “heterogeneous collection of radicals, enthusiastic devotees to principle, honest latitudinarians and lazy theorists, with a sprinkling of unprincipled sharpers thrown in.” Owen's communal system gave full vent to their shabby ways. They couldn't run anything properly—flour mill, saw mill, tannery or smithy—and their only solution to problems of production was to write another constitution or make another speech. The industrious soon tired of supporting the idle. From the Nashoba, Tennessee Owenite settlement, leader Frances Wright informed Owen that “cooperation

has nigh killed us all,” and departed. Within two years every Owenite venture, fourteen in all, disintegrated.

Disciples of the unsmiling Frenchman Charles Fourier set up no less than twenty-seven American experiments. Fourier based his utopian ideal less on man's malleability than on his fundamental goodness. The twelve passions, which he carefully listed and classified, would act in perfect harmony with each other and with society as a whole if given a chance. Let people gather into “phalanxes” of some 2,000 members, housed communally in one huge “phalanstery” lying in a spread of 1,600 acres owned in common. Let each choose the work he wished to do. Pay the highest wage for disagreeable but necessary labor, less for the more attractive, and least for work that was downright pleasurable. Bring all goods produced to a single warehouse, where they could be purchased with work-tickets. In Fourier's ample vision all mankind would finally be gathered into three million phalanxes, coordinated by an Omniarch in Constantinople.

Fourier-inspired communes quickly died of dissension, ineptitude, and sheer tomfoolery. An attempt to use some Fourier principles dealt the final blow to the

most charming and humane of all the utopian experiments, Brook Farm. The Farm was owned in shares; it intended to support itself by voluntary labor at an equal wage for all (ten cents an hour), and have plenty of time left over for culture. Some choice souls sought refuge there: The Rev. George Ripley, founder; Nathaniel Hawthorne, who soon discovered that forking manure ten hours a day was not conducive to literature; George Curtis, later to edit *Harper's*; and Isaac Hecker, a humble German who became a priest and instituted the Paulist Fathers. Good families sent their boys down to be prepared for Harvard at the Farm school.

Into this idyllic but financially precarious community of like minds swept a voluble enthusiast for Fourier, Albert Brisbane. He convinced them that their happy anarchy wouldn't work. They must organize. Tasks were specialized on Fourier principles; a Sacred Legion took on the dirtier jobs; unequal wages replaced equal pay; work became compulsory; uneducated artisans came in with their ignorant and sharp-tongued wives; and before long the genial spirit that had held Brook Farm together evaporated. Six years after its beginning in 1841 the Farm was sold to West Roxbury (Mass.) for an alms-

house, thus passing, in the words of one observer, from "the highest ideal" to "the lowest actual."

Two That Remain

Two utopian communes have the distinction of remaining, though much altered, to the present day. In 1848 John Humphrey Noyes settled fifty-one Perfectionists along Oneida Creek near Utica, New York, an area so filled with fiery religious fanatics that wits called it "the burned-over district." A slab-chinned fellow with a scraggly beard and bleating voice, Noyes was nevertheless personally impressive, and a canny manager of people. He quipped that too many agricultural communes had "run aground," and set out to make Oneida industrial. The growing membership (an average of 250) canned farm produce for the market, made traveling bags and a special type of steel trap, spun silk, silver-plated dinnerware, and prospered.

Noyes' word was law. He rested it on divine inspiration, and exerted pressure so gently that no one thought him despotic. The individual at Oneida had no life apart from the community—property in common, personal acts under common scrutiny, sexual sharing on the theory that monogamy was un-Christian "claiming." The

women said that they belonged to God first and Noyes next, an order of precedence that they in fact reversed. A system of selective breeding called "stirpiculture" admitted only the most fit to parenthood. Children lived apart, rarely seen by their parents.

For thirty years Oneida adhered to the original plan. By 1880 Noyes had aged; the religious spirit that he had evoked flickered; the young revolted at the idea of sharing spouses and surrendering their children. The commune converted to a joint-stock company in an effort to avoid collapse, but its old habits were too ingrained. In 1890 P.B. Noyes, one of the founder's "stirpiculture" sons (he sired ten) saved the community by transforming it into a typical well-run American business. He concentrated on silverware, cut costs, emphasized teamwork, hustled, advertised, and competed. Today Oneida differs in no essential from any other enlightened manufacturing firm.

Where Oneida chose industry, the Amana community of Iowa remained rural, and even more pervasively religious. Eight hundred Germans of the "True Inspiration" sect established it in 1854 on 26,000 choice acres, seven villages spread in a circle around the central one. Every member

surrendered all his capital to the common fund (if he left, he got it back with interest) and in return was guaranteed his necessities for life. Under the rule of church elders the maxim, "obey, without reasoning, God, and through God your superiors," kept members in line. Amana supplied its own needs—weavers, cobblers, tailors, watchmakers, pharmacies, printshop — and exported only high-grade woolen cloth. As much as possible the members ignored the world around them, even hiring outsiders to serve in the hotel lest their own girls be corrupted.

By 1900 Amana's piety had waned. Without the invigorating spur of competition the economy lagged badly. In 1932 it became a joint-stock company intent on profit. A business manager brought in from the outside trimmed the labor force of its hired hands, closed shops that had run at a loss for years, eliminated fifty-two inefficient dining halls, sold businesses into private hands and houses to their occupants. Still quaint and quiet today, Amana is a producing and marketing cooperative, without a vestige of its former communism.

American experiments that went under in two years, as many did, had too large a proportion of misfits whose record outside was one of steady failure. Intimacy

bred discord, as people living too close together bumped each other at every turn. The absence of competition resulted in lethargy. None of these eccentrics had any business sense; the purchase of a 300-acre tract in Pennsylvania, for example, was made in mid-winter snows by an artist, a doctor and a cooper, and turned out to be rock-and-sand that had to be abandoned in a year. The Ruskin colony in Tennessee (1894) was ruined by an agent who took such pleasure in making a sale that he sold regularly at a loss. Occasionally plain chicanery was too much for the innocent: the Rev. Adin Ballou lost his "miniature Christian republic" at Hopedale when one of his Christians bought up enough shares to force everyone else out. Worse, the utopians misread human nature. "If men were angels," remark the *Federalist Papers*, "no government would be necessary." The utopians discovered to their sorrow that men are not angels now, nor can be so shaped.

Displaced by the Welfare State

While these sad little failures gathered dust, Americans awoke to the fact that in the welfare state of the western democracies, and more explicitly in communist Russia, utopia had already arrived on a massive scale. The results in

this country stirred up a general unease. Every step that added to the individual's security detracted from his liberty; every move toward the better life exacted its toll. The United States government assumed vast new powers to tax, spend — and regulate the affairs of its citizens. Mass production and the communications media created a bland uniformity, with the flesh-and-blood breadwinner converted into a Social Security number. Welfare programs that averted gross poverty also robbed the individual of his initiative. Women's equality did much to skyrocket divorce. The same technological advance that increased abundance polluted the landscape. Nuclear energy was more bomb than blessing. Parents did all they could to make a heaven on earth, and their children kicked them in the stomach for the effort.

The West edged piecemeal toward the planned society; Russia made it in a leap. Marx had revived the utopian dream and promised its fulfillment: abundance of consumer goods, universal happiness, absolute equality, peace at home and abroad, government that would hardly need to govern — a perfect whole of perfect parts. Liberals who had been beguiled by this splendid vision shuddered at the actuality. In Russia the government clamped

an iron grip on the people and showed no inclination to let go. Everything was in short supply except armaments. The mildest critic of the regime was branded a traitor, and shipped off to Siberia. Art and science became tools of the Party; news media spewed nothing but the official line; and the calculated lie became a habit. The planned society, dreamed of through the ages, turned out to be the police state.

Americans who had believed in a steady march to the promised land now quailed at the prospect. Once they had yearned for utopia; now they asked themselves, "What can we do to prevent it?"

Anti-utopian novels clanged like warning bells in the night. Eugene Zamiatin's *We* (1920) was among the first, and dozens followed (if we include science fiction), notably Aldous Huxley's *Brave New World* (1932), Vladimir Nabokov's *Bend Sinister* (1947) and George Orwell's *1984* in 1949. They draw a frightening picture of the planned society: its ruthless manipulation by the rulers of the ruled, its grey-faced homogeneity, its stifling of creative change, its reduction of man to a producing and consuming animal, its hideous distortion of truth. Once the masters of this nightmare society are in the saddle, few can escape or even want to.

Human nature, in these anti-utopias, is infinitely malleable; men can be taught to kiss their chains.

Are we all doomed to this? There is reason to doubt it. The anti-utopian sounds a needed alarm, but he badly overplays his hand. He regards the individual as an empty sack into which any rubbish can be poured. Even the lonely rebels of anti-utopian novels are spineless, stupid, or both. D-503 of *We* can build a cosmic machine, but is otherwise a bumbling idiot; Bernard in *Brave New World* is a sniveling coward; Smith in *1984* is a perverter of truth by vocation and a love-sick ninny on the side; the renowned philosopher Kruger in *Bend Sinister* has a backbone of rope. In anti-utopia western man has thrown away every vestige of his hard-won rights, to gain a bovine placidity. All the world is content to chew its cud.

Common Sense May Prevail

Such a view undoes history. Western man has shown himself far too stubborn, restless and plain cussed for any such fate. Once the common man has had a full taste of speaking his mind, no one can shut him up for long. Once he is used to the ballot, and the exhilarating experience of throwing the rascals out, he can

be deprived of it only under the most extraordinary conditions. Once real power is firmly established at the base of the political pyramid (as it never was in Russia or China), tyranny from the top becomes an outside chance.

This may be faith, but it is a faith worth having. A man's essence is his hazardous freedom. It is built-in, inextinguishable. For

it he has fought wars, rioted, hidden in catacombs, gone to the stake, killed kings, languished in prison, and he does not forget. Freedom disrupts old orders, and sometimes gives the impression that everything nailed down is coming loose, but as long as Americans demand it as their right, the horrors of the police state will stay beyond our borders.



Umpire

IN GENERAL, nothing happens except a change in the weather, unless somebody makes it happen. Under a free economic system, the man who makes things happen is called an enterpriser. With his own savings or savings borrowed from others, he goes into farming, manufacturing, mining, or banking, and begins producing goods or moving them around. That much is basic.

Thomas Nixon Carver, the economist, said the reason many countries are backward is that there was nobody who cared to invest in them. Either the government itself was predatory, or thieves and robbers roamed unmolested. In such countries the rich keep their wealth in the form of unproductive goods — gold and jewels — which they can hide and easily transport when things get too tough.

If a nation wants production and prosperity, the persons to encourage are the enterprisers. Not only should they be encouraged to build and produce, but they should be assured that their property and a decent part of their gains are protected against confiscation. If they lose part or all of their savings in the competitive game, they must take the loss and shut up. Government's main job is to see that the rules are fair and are enforced.

IDEAS ON



LIBERTY

DIGGING



DITCHES

ROBERT W. DEMERS

I FIRST MET Joe when I was about ten. My dad was foreman on a sewer job in our town and they were digging a long ditch for the pipe on the street where we lived. I was watching the men dig — no machines in those days. About mid-morning a horse-drawn vegetable wagon pulled up where several of the men were on the bank taking a “break.” I noticed Joe because he bought a large cabbage, cut it in half with his jack knife, and proceeded to munch on it, raw. I was watching him, wide-eyed, when he smiled, cut off a slice of the cabbage, and offered it to me. I bit into it, hesitantly, and soon found that I liked it very much. That was the first good thing I learned from Joe, the first of many things I would learn from him over a period of several years.

Joe was a short, squat man, barrel chested, short legs, and a long, powerful torso. He was already past 40 when I first met him, with a thick thatch of greying hair and a catching little accent in his voice. His father came

to this country from Italy, but Joe was born in New York City and had migrated to the mountains with his wife and family. That’s when he began working for my granddad, digging ditches.

Whenever I could, through the years, I would “visit” with Joe wherever he was working. He had many interesting stories to tell a young boy, and a great pride in his work.

He taught me the proper way to use a round-nosed shovel, a square-nosed shovel, a long-handled and a short-handled shovel. It was important to keep the sides of the ditch perpendicular, to keep the banks clean, to throw the dirt in a certain place and a certain distance from the edge of the ditch. The ditches varied in width, and the angles of the sides varied depending upon the condition of the soil. No facet of Joe’s digging was too insignificant to command his full interest and attention. He loved to talk about his job and to show others how to do the job “properly.”

I recall my sadness on hearing that Joe no longer dug ditches for

Mr. Demers is a vocational counselor in Veneta, Oregon.

the city. One of his daughters, in my class at school, told me her father had gone into business for himself, digging ditches. Before long, he was the most sought after ditch digger in town. Mechanical contrivances were now available, but there were still a hundred and one places where a ditch could only be dug by hand; there you'd find Joe. Most of the plumbers in town were "waiting in line" for Joe's skills, even holding off on certain jobs until he could dig their ditch, or their hole, or whatever digging they needed.

Through the lean Depression years, Joe was one of the very, very few who found full employment. Somewhere Joe kept "digging." His pay sometimes was a sack of beans, a chicken, or a dozen eggs, but his children, all seven of them, remained well, strong, and in school.

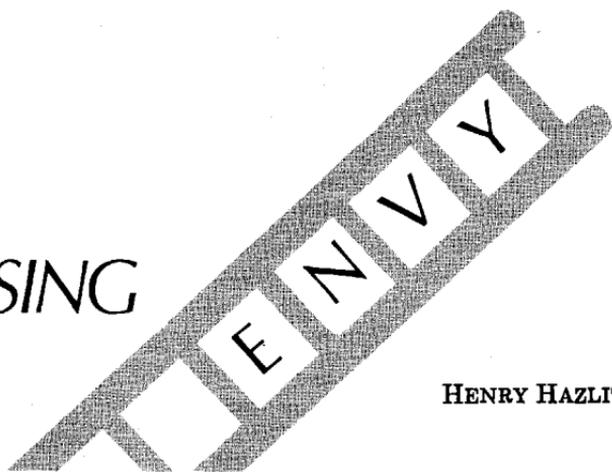
Few, indeed were the people in town who didn't know Joe, who didn't know and who didn't tell everybody that he was "the best ditch digger ever," and that he also built the "best stone walls and fences," and grew the "most beautiful roses."

Years later, on a fall day when the cabbages were ripe, I sought out Joe, where he was digging a ditch along a side hill. I was on leave for a few weeks and had learned that Joe's son, one of my

classmates, had died on the beaches at Normandy. As I walked up the hill, Joe greeted me with the same big smile. His hair was snowy white now, his back a little more hunched, his stance a bit more squat, but his arms were still sinewy, muscular and powerful, as he cupped one hand over the end of the hickory handle of his beloved shovel and extended the other warmly and affectionately in my direction.

We talked long in the warmth of the autumn sun. I learned that a job worth doing is a job that ought to be extremely well done. I learned something of the distance I must travel toward such a worthy goal. Joe was sure that most of the trouble in the world stemmed from the refusal of people to exercise to their fullest potential the talents with which they were blessed. I wish that everyone might hear the tone, the richness, the wisdom in Joe's voice as he said: "A man ought to find out, as soon as possible, what it is that he *can* do, then learn and study, and do it as best he can *all* of his life. If a man really did this he'd have no time to drift to the right or the left, or to stumble up or down because he'd be too busy doing well what he knew best, best for himself and for all those about him; and he'd be happy and rich, both here and beyond."

ON APPEASING



HENRY HAZLITT

ANY ATTEMPT to equalize wealth or income by forced redistribution must only tend to destroy wealth and income. Historically the best the would-be equalizers have ever succeeded in doing is to equalize downward. This has even been caustically described as their intention. "Your levellers," said Samuel Johnson in the mid-eighteenth century, "wish to level *down* as far as themselves; but they cannot bear levelling *up* to themselves." And in our own day we find even an eminent liberal like the late Mr. Justice Holmes writing: "I have no respect for the passion for equality, which seems to me merely idealizing envy."¹

Henry Hazlitt is well known to FREEMAN readers as author, columnist, editor, lecturer, and practitioner of freedom. This article will appear as a chapter in a forthcoming book, *The Conquest of Poverty*, to be published by Arlington House.

At least a handful of writers have begun to recognize explicitly the all-pervasive role played by envy or the fear of envy in life and in contemporary political thought. In 1966, Helmut Schoeck, professor of sociology at the University of Mainz, devoted a penetrating book to the subject.²

There can be little doubt that many egalitarians are motivated at least partly by envy, while still others are motivated, not so much by any envy of their own, as by the fear of it in others, and the wish to appease or satisfy it.

But the latter effort is bound to

¹ *The Correspondence of Mr. Justice Holmes and Harold J. Laski* (ed. M. De Wolfe Howe, 2 vol. Cambridge, Mass., 1953). From Holmes to Laski, May 12, 1927, p. 942.

² Helmut Schoeck, *Envy* (English translation, Harcourt, Brace & World, 1969).

be futile. Almost no one is completely satisfied with his status in relation to his fellows. In the envious the thirst for social advancement is insatiable. As soon as they have risen one rung in the social or economic ladder, their eyes are fixed upon the next. They envy those who are higher up, no matter by how little. In fact, they are more likely to envy their immediate friends or neighbors, who are just a little bit better off, than celebrities or millionaires who are incomparably better off. The position of the latter seems unattainable, but of the neighbor who has just a minimal advantage they are tempted to think: "I might almost be in his place."

The Urge to Deprive Others

Moreover, the envious are more likely to be mollified by seeing others deprived of some advantage than by gaining it for themselves. It is not what they lack that chiefly troubles them, but what others have. The envious are not satisfied with equality; they secretly yearn for superiority and revenge. In the French revolution of 1848, a woman coal-heaver is reported to have remarked to a richly dressed lady: "Yes, madam, everything's going to be equal now; I shall go in silks and you'll carry coal."

Envy is implacable. Concessions

merely whet its appetite for more concessions. As Schoeck writes: "Man's envy is at its most intense where all are almost equal; his calls for redistribution are loudest when there is virtually nothing to redistribute."³

(We should, of course, always distinguish that merely negative envy which begrudges others their advantage from the positive ambition that leads men to active emulation, competition, and creative effort of their own.)

But the accusation of envy, or even of the fear of others' envy, as the dominant motive for any redistribution proposal, is a serious one to make and a difficult if not impossible one to prove. Moreover, the motives for making a proposal, even if ascertainable, are irrelevant to its inherent merits.

We can, nonetheless, apply certain objective tests. Sometimes the motive of appeasing other people's envy is openly avowed. Socialists will often talk as if some form of superbly equalized destitution were preferable to "maldistributed" plenty. A national income that is rapidly growing in absolute terms for practically everyone will be deplored because it is making the rich richer. An implied and sometimes avowed principle of the British Labor Party leaders

³ *Ibid.*, p. 303.

after World War II was that "Nobody should have what everybody can't have."

Equality, Yes; Abundance, No!

But the main objective test of a social proposal is not merely whether it emphasizes equality more than abundance, but whether it goes further and attempts to promote equality at the expense of abundance. Is the proposed measure intended primarily to help the poor, or to penalize the rich? And would it in fact punish the rich at the cost of also hurting everyone else?

This is the actual effect, as we saw earlier,⁴ of steeply progressive income taxes and confiscatory inheritance taxes. These are not only counter-productive fiscally (bringing in less revenue from the higher brackets than lower rates would have brought), but they discourage or confiscate the capital accumulation and investment that would have increased national productivity and real wages. Most of the confiscated funds are then dissipated by the government in current consumption expenditures. The long-run effect of such tax-rates, of course, is to leave the working poor worse off than they would otherwise have been.

There are economists who will

admit all this, but will answer that it is nonetheless politically necessary to impose such near-confiscatory taxes, or to enact similar redistributive measures, in order to placate the dissatisfied and the envious — in order, even, to prevent actual revolution.

Appeasement Provokes Envy

This argument is the reverse of the truth. The effect of trying to appease envy is to provoke more of it.

The most popular theory of the French Revolution is that it came about because the economic condition of the masses was becoming worse and worse, while the king and the aristocracy remained completely blind to it. But Tocqueville, one of the most penetrating social observers and historians of his or any time, put forward an exactly opposite explanation. Let me state it first as summarized by an eminent French commentator in 1899:

Here is the theory invented by Tocqueville.... The lighter a yoke, the more it seems insupportable; what exasperates is not the crushing burden but the impediment; what inspires to revolt is not oppression but humiliation. The French of 1789 were incensed against the nobles because they were *almost* the equals of the nobles; it is the slight difference that can be appreciated, and what can be appreciated that counts. The

⁴ "Should We Divide the Wealth?" in THE FREEMAN, February, 1972, p. 100.

eighteenth-century middle class was rich, in a position to fill *almost* any employment, *almost* as powerful as the nobility. It was exasperated by this "*almost*" and stimulated by the proximity of its goal; impatience is always provoked by the final strides.⁵

I have quoted this passage because I do not find the theory stated in quite this condensed form by Tocqueville himself. Yet this is essentially the theme of his *L'Ancien Régime et la Révolution*, and he presented impressive factual documentation to support it.

As the prosperity which I have just described began to extend in France, the community nevertheless became more unsettled and uneasy; public discontent grew fierce; hatred against all established institutions increased. The nation was visibly advancing toward a revolution. . . .

It might be said that the French found their position the more intolerable precisely where it had become better. Surprising as this fact is, history is full of such contradictions.

It is not always by going from bad to worse that a country falls into revolution. It happens most frequently that a people, which had supported the most crushing laws without complaint, and apparently as if they were unfelt, throws them off with violence as soon as the burden

⁵ Emile Faguet, *Politicians and Moralists of the Nineteenth Century* (Boston: Little, Brown; 1928), p. 93.

begins to be diminished. The state of things destroyed by a revolution is almost always somewhat better than that which immediately preceded it; and experience has shown that the most dangerous moment for a bad government is usually that when it enters upon the work of reform. Nothing short of great political genius can save a sovereign who undertakes to relieve his subjects after a long period of oppression. The evils which were endured with patience so long as they were inevitable seem intolerable as soon as a hope can be entertained of escaping from them. The abuses which are removed seem to lay bare those which remain, and to render the sense of them more acute; the evil has decreased, it is true, but the perception of the evil is more keen. . . .

No one any longer contended in 1780 that France was in a state of decline; there seemed, on the contrary, to be just then no bounds to her progress. Then it was that the theory of the continual and indefinite perfectibility of man took its origin. Twenty years before nothing was to be hoped of the future: then nothing was to be feared. The imagination, grasping at this near and unheard of felicity, caused men to overlook the advantages they already possessed, and hurried them forward to something new.⁶

⁶ Alexis de Tocqueville, *On the State of Society in France before the Revolution of 1789*. (London: John Murray, 1856) pp. 321-324. Also available as *The Old Regime and the French Revolution* in a Doubleday paperback.

Aggravated by Sympathy

The expressions of sympathy that came from the privileged class itself only aggravated the situation:

The very men who had most to fear from the fury of the people de-claimed loudly in their presence on the cruel injustice under which the people had always suffered. They pointed out to each other the monstrous vices of those institutions which had weighed most heavily upon the lower orders: they employed all their powers of rhetoric in depicting the miseries of the common people and their ill-paid labor; and thus they infuriated while they endeavored to relieve them.⁷

Tocqueville went on to quote at length from the mutual recrimi-

⁷ *Ibid.*, pp. 329-330.

nations of the king, the nobles, and the parliament in blaming each other for the wrongs of the people. To read them now is to get the uncanny feeling that they are plagiarizing the rhetoric of the limousine liberals of our own day.

All this does not mean that we should refrain from taking any measure truly calculated to relieve hardship and reduce poverty. What it does mean is that we should never take governmental measures merely for the purpose of trying to assuage the envious or appease the agitators, or to buy off a revolution. Such measures, betraying weakness and a guilty conscience, only lead to more far-reaching and even ruinous demands. A government that pays social blackmail will precipitate the very consequences that it fears. (⊗)

The "Law of Sympathy"

BUT AID and sympathy must operate in the field of private and personal relationships under the regulation of reason and conscience. If men trust to the State to supply "reason and conscience," they so deaden themselves that the "law of sympathy" ceases to operate anywhere. Men who shrug off their personal obligations become hard and unfeeling, and it is small wonder then that they are entirely willing to go along with hard and unfeeling politics. It is when he decides to "let the State do it" that the humanitarian ends up by condoning the use of the guillotine for the "betterment" of man.

IDEAS ON



LIBERTY

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

8

British Acts
Become Intolerable

THE REPEAL of the Stamp Act in early 1766 did not put an end to resistance in America. It did lower the level of the contest between Britain and America from its crisis proportions by removing the most conspicuous irritant. But repeal of the Stamp Act only whetted the appetite of some Americans for much more thoroughgoing removal of British impositions. As early as April the New York Sons of Liberty were demanding that "Americans should also insist on the removal of all restrictions on trade, the abolition of post offices and admiralty courts, and they should do so 'while the colonies are unanimous.'"¹

After all, most of the parliamentary acts against which the colonists objected were still on the books, and executive action remained unaltered. Troops were still stationed in America, and naval ships of war were stationed along the coast. The Sugar Act was still in effect. New York merchants sent a petition to Parliament in 1766 complaining bitterly about the effects of trade restrictions upon their commerce. Re-

¹ Merrill Jensen, *The Founding of a Nation* (New York: Oxford University Press, 1968), p. 186.

Dr. Carson lives in Florida. He is a noted lecturer and author, his latest book entitled *Throttling the Railroads*.

straints upon imports and exports of sugar were particularly galling, and their trade was hurt badly by limitations on how wood products could be sold.² The Quartering Act still placed requirements on the colonies involved which some of them refused to comply with. The Currency Act restricted the issuance of paper money both upon colonies which had responsibly retired theirs in the past as well as those which had not. And there was the Declaratory Act with its strident claims about the unlimited powers of Parliament.

The Strategy of Resistance

The colonists employed a variety of tactics in their resistance to British impositions during the decade or so after 1763: some legal, some extra-legal, and others illegal. These tactics ranged from resolutions of legislatures, to petitions to the government in England, to unauthorized conventions and congresses, to boycotts, to demonstrations, all the way to rioting and the intimidation of officials by mobs. The use of some of these latter tactics in recent years has been justified on the grounds that they were employed by our venerated forebears — an excuse whose merits would be dependent upon analogous conditions. It may be of some use to examine the con-

ditions of the resort to violence by some Americans of that earlier time, both for the light it will shed on their situation as well as what it may tell us about the appropriateness of this justification for contemporary violence. By such an examination, too, the issues between the colonists and the British can be sorted out.

What tactics are appropriate is surely dependent on the options available. To understand what options were available to the colonists, one needs to review the political situation.

The colonists did not fully control their governments. Far from it, in most cases. Usually, the governor was appointed from England (the charter colonies of Connecticut and Rhode Island were exceptions), and he quite often received instructions from officials there. No more did the colonists ordinarily choose the members of the governor's council. The assembly was popularly elected, but its actions could be severely circumscribed. It met on call from the governor, could have its acts vetoed by him, and was subject to being dismissed or dissolved by the executive. There were even efforts to control assemblies from England. For example, the New York legislature was suspended for its failure to provide supplies for the troops under the Quartering Act.

² *Ibid.*, pp. 207-08.

Therefore, legislatures were greatly hampered when it came to preventing impositions on the colonies. No direct action was open to them ordinarily because of the power of governor and council to negate such action.

Nor was there any established means for intercolonial action; none had ever been set up, and the British were not about to allow any to be legally established during the decade under consideration. At best, only extra-legal means were available for concerted action across the lines of colonies. The means for legal action by the colonists were limited then, not, as is the case usually, the means for some minority to express itself, but for the colonies as a people. This distinction is quite germane both for the justifications of revolution which would be offered in the 1770's and for such justification as there could be for illegal action prior to the revolt.

A Balance of Powers

Now the elected legislatures had gained considerable power during the colonial period, as was shown in an earlier chapter. That power derived mainly from their authority to originate taxes and appropriations. Governors even depended upon the elected legislature for their salaries in most colonies, and all actions requiring moneys

awaited legislative action. Governors and other crown officials were dependent upon or subject to the local populace in other ways as well. The force that had ordinarily been at their disposal before the period under discussion had to be exercised by militia and other local persons. Crown officials had to act through courts whose judges might be appointed by governors but whose most basic decisions were made by juries; and they could, themselves, be brought before the courts for mistreating colonists.

In short, a precarious balance of powers had grown up over the years in most colonies. Colonial legislatures were counter-balanced by governors and councils, and the governor's power was limited by the necessity of his relying upon elected legislatures. Action depended upon a considerable measure of co-operation among the branches of government. If they would not act together, many kinds of action could not be taken.

Massive resentment was aroused in the 1760's, then, when Parliament moved to alter these arrangements: by taxing colonists, by making appropriations, by sending standing armies, by setting up admiralty courts without juries, and so on. The thrust of parliamentary action was to eviscerate the independence of elected legislatures.

The Quartering Act points this up, for the act required that colonies appropriate supplies for troops within the colony. If a legislature had to act in this fashion, it was hardly independent of Parliament. If Parliament could tax the colonists, it could appropriate moneys to free officials within the colonies from dependence on the legislatures. The fear of this was no phantom, for Parliament was moving in this direction on governor's salaries. Of course, taxation by Parliament raised another basic issue. The Connecticut legislature put the matter in this fashion in 1765:

That, in the opinion of this House, an act for raising money by duties or taxes differs from other acts of legislation, in that it is always considered as a free gift of the people made by their legal and elected representatives; and that we cannot conceive that the people of Great Britain, or their representatives, have right to dispose of our property.³

In fact, Parliament was moving to unbalance the powers within colonies and make the colonies subject to itself. The colonists raised the question from the outset whether Parliament had the au-

thority to do this. This question, in turn, led to an even more basic one: What was the extent of parliamentary authority over America? This was a question for which no definitive answers had ever been given. As Richard Bland of Virginia said in 1766: "It is in vain to search into the civil constitution of *England* for directions in fixing the proper connection between the colonies and the mother-kingdom. . . . The planting colonies from *Britain* is but of recent date, and nothing relative to such plantation can be collected from the ancient laws of the kingdom. . . ." He argued that "As then we can receive no light from the laws of the kingdom, or from ancient history to direct us in our enquiry, we must have recourse to the law of nature, and those rights of mankind which flow from it."⁴ Others sought to base the argument, however, on charter rights.

Colonial spokesmen generally maintained that Parliament could properly regulate relations among the parts of the empire and with other nations. They accepted the sovereignty of the British government over them and did not question—during the early years—that Parliament played a role in changes in the actions of the sov-

³ Quoted in Edmund S. Morgan, "Colonial Ideas of Parliamentary Power," *The Reinterpretation of the American Revolution*, Jack P. Greene, ed. (New York: Harper and Row, 1968), p. 166.

⁴ Jack P. Greene, ed., *Colonies to Nation* (New York: McGraw-Hill, 1967), pp. 88-89.

ereign. Beyond these general functions, Parliament should not go. The position of Parliament regarding its powers over the colonies was set forth in the Declaratory Act: it could legislate for the colonies in all matters whatsoever.

Who was right? The answer to that question depends on what is right. The majority in both houses of Parliament never proposed to consider the question. They did not doubt that they had the authority to take what actions they would (Where were the limits upon them?), and they did not appear to doubt that when called upon they would have the necessary power to enforce their acts. It was not a matter of what was right (a minority in Parliament disagreed about this), it was only a matter of what was expedient.

The colonial opposition, from the beginning, did tackle the question from the angle of what was right. They believed that Parliament, by right, was limited in what it could do. They believed that the original charters, the British constitution, and, in the final analysis, the laws of nature, set bounds to the authority of Parliament. The colonists should be adjudged to have been right, then. Since Parliament chose to act on the grounds of expediency, it is only fair that they should be judged, in part, on those grounds.

It turned out not to have been an expedient course, for by it the American empire, except for Canada, was lost. Since Parliament did not choose to stand on right, the colonist's position as to right can be accepted without difficulty, because it was not contested.⁵

In any case, Parliament and the colonies were on a collision course each time they acted from their opposite premises. Parliament might, and did, find it expedient to back down on particular issues, though not on the general principle. The colonists, on the other hand, since they did not suppose themselves to be acting from expediency, did not back down. Once Parliament no longer found it expedient to back down, the die was cast.

The Townshend Acts

Parliament plunged ahead with new legislation aimed at the colonies in 1767. The leader in formulating this legislation was Charles Townshend, and it became known

⁵ This does not mean that colonists were right in everything they did in opposition to British action, nor that others at some later time would be justified in imitating their every action, even if they found themselves in analogous conditions. The rightness of a cause does not absolve people from moral and just behavior. That a cause is just is reason for working for its triumph, not for the engaging in wrongful acts.

as the Townshend Acts. For a while after the repeal of the Stamp Act, things began to look better for the colonies. William Pitt formed a cabinet, and he had been quite outspoken on the side of the colonies during the debates over the Stamp Act. In fact, Pitt was far and away the most popular Englishman in America at this time, though truth to tell he had little competition. But Pitt was made the Earl of Chatham, moved into the House of Lords, and was debilitated by illness. The legislative leadership passed to Charles Townshend, chancellor of the exchequer, in 1767.

Taxes and Intervention

The act which has drawn the most attention was the one levying import duties on glass, lead, painter's colors, paper, and tea. During the debates over the stamp tax the distinction between internal and external was talked about considerably. Some got the impression that Americans accepted external taxes, but not internal ones. Operating from this premise, Townshend argued that Americans should accept these new duties, since they were levied on imports and would be considered external taxes. The act indicated that it was for the purpose of raising a revenue, that such monies as were raised would go first

to defray costs of governing in America, that what was left would go to the British treasury, and that the duties must be paid in silver. It also authorized the use of writs of assistance to be used in searching for goods on which duties had not been paid and specifically empowered "his Majesty's customs to enter and go into any house, warehouse, shop, cellar, or other place, in the *British* colonies or plantations in *America*, to search for and seize prohibited or uncustomed goods" with writs which courts in America were directed to issue.

Another act, passed at the same time, was the American Board of Customs Act. This established a board of customs for America, to be composed of five commissioners, and to be located at Boston. A little later in the year, an act was passed suspending the New York legislature for not providing troop supplies. In a similar vein, an act in September of 1767 curtailed the power of colonial elected legislatures. Finally, an act passed in July of 1768 extended and spelled out the jurisdictions of vice-admiralty courts in the colonies and increased the number of courts in America from one to four.

Resistance to the Townshend duties, as to the other British actions, was preceded or accompanied by theoretical formulations,

formulations which held that British action was in violation of immemorial rights. These theoretical formulations frequently appeared first as a series of anonymous letters in newspapers and then as pamphlets, though the order might be reversed. America had quite a number of men ready to enter the lists with such writings at critical junctures. James Otis, Samuel Adams, Daniel Dulany, and Richard Bland provided some of the early grist for the mills of opposition.

John Dickinson's "Letters"

The man who came forward to do duty against the Townshend Acts was John Dickinson, a Marylander born, who was sometimes from Pennsylvania but most regularly from Delaware. He belongs in that select circle of men entitled to be called Founding Fathers. From 1767 to 1775 he was the theoretician of colonial resistance. Though he opposed declaring independence, he headed the committee which produced the Articles of Confederation. He served in the army for a time during the War for Independence and was a delegate to the constitutional convention from Delaware, though leadership in such matters was now in other hands.

Dickinson's position on the Townshend duties was published

as a series of letters published weekly in the *Pennsylvania Chronicle and Universal Advertiser* beginning November 30, 1767. These collected letters were called *Letters from a Farmer in Pennsylvania*. New England newspapers began publishing them in December, and before it was over all colonial newspapers except four published them. They were published as a pamphlet in 1768, went through seven American editions, one in Dublin, two in London, and a French translation.⁶ A historian sums up their impact in this way: "Immediately, everyone took Dickinson's argument into account: Americans in assemblies, town meetings, and mass meetings adopted resolutions of thanks; British ministers wrung their hands; all the British press commented, and a portion of it applauded; Irish malcontents read avidly; even the dilettantes of Paris salons discussed the Pennsylvania farmer."⁷

For one thing, the tone of the *Letters* was right. Dickinson not only claimed a formal loyalty to the king and the empire but actually cast his argument in terms of the well being of the empire. Though the natural law philosophy under-

⁶ See Jensen, *op. cit.*, pp. 241-42.

⁷ Forrest McDonald, intro., *Empire and Nation* (Englewood Cliffs: Prentice-Hall, 1962), p. xiii.

lay much of what he wrote, he did not emphasize natural laws and natural rights so as to distinguish them in a divisive manner from the rights of Britons under the Constitution, as some writers had rushed to do prematurely. His appeal was to tradition, precedent, prudence, self-interest, the desire of liberty, and continuity with the past. And though he bade Americans to resist the Townshend duties, he proposed that they do so in an orderly fashion. First, they should send petitions; if these did not get results, turn to something like a boycott of goods; only when all peaceful means had failed, should other approaches be considered. But he pled with Americans not to give in to a spirit of riotousness. "The cause of *liberty* is a cause of too much dignity to be sullied by turbulence and tumult. It ought to be maintained in a manner suitable to her nature. Those who engage in it, should breathe a sedate, yet fervent spirit, animating them to actions of prudence, justice, modesty, bravery, humanity and magnanimity."⁸

The Argument Against Taxes

The great appeal of his work stemmed, of course, from the fact that he shredded the argument for the Townshend duties, showed it

to be grounded in sophistry — no better than the case for the Stamp Act, only more subtle — and found the duties violative of the rights of British subjects and potentially confiscatory. As for these duties being acceptable because they were external taxes, he thought the case hardly worth considering. The objection to taxation by Parliament did not hinge upon the distinction between internal and external; it was to taxation as such. Americans accepted, he pointed out, as they had accepted, duties that were for the purpose of regulating trade, but not those levied for the raising of revenue. The latter were clearly taxes, and they involved the taking of property without the consent of the owners. True, incidental revenues might arise from the regulation of trade, but they were a consequence, not the cause of it. No such case could be made for the Townshend duties; they were laid on items which must be obtained from England. Certainly, it was not the aim of the British to inhibit trade in them nor to restrain it. In fact, it was simply a tax, for the colonists were not permitted to obtain the goods elsewhere, and might, if the British chose, be prohibited from manufacturing them. There was ample precedent for this.

Property was no longer secure,

⁸ *Ibid.*, p. 17.

Dickinson said, if the principle of parliamentary taxation of the colonies be once accepted. "If the parliament have a right to lay a duty of Four Shillings and Eightpence on a hundred weight of glass, or a ream of paper, they have a right to lay a duty of any other sum on either. . . . If *they* have any right to tax *us* — then, whether *our own money* shall continue in *our own pockets* or not, depends no longer on *us*, but on *them*. 'There is nothing which' we 'can call our own; or, to use the words of Mr. Locke — WHAT PROPERTY HAVE' WE 'IN THAT, WHICH ANOTHER MAY, BY RIGHT, TAKE, WHEN HE PLEASES, TO HIMSELF?'"⁹

Massachusetts' Circular Letter

Colonial elected legislatures began to act in 1768. Massachusetts took the lead in February by drawing up a Circular Letter which it sent around to the other colonies. This letter was subsequently endorsed by New Hampshire, Virginia, Maryland, Connecticut, Rhode Island, Georgia, and South Carolina, sometimes by assemblies, and, if they were not sitting, by the Speaker.¹⁰ The British reply came from the Earl of Hillsborough in April; it was

⁹ *Ibid.*, pp. 43-44.

¹⁰ See Lawrence H. Gipson, *The Coming of the American Revolution* (New York: Harper Torchbooks, 1962), pp. 185-87.

sent as a circular letter to the governors of all the colonies. He had already written to Governor Bernard of Massachusetts that at the next session of the House of Representatives he "must 'require'" them "to rescind the Circular Letter and declare" their "disapprobation of and dissent to that rash and hasty proceeding."¹¹ To the other governors, he declared that his expectation was that their assemblies would not participate in this new effort to arouse resentment to British rule. "But if notwithstanding these expectations and your most earnest endeavors, there should appear in the Assembly of your Province a disposition to receive or give any Countenance to this Seditious Paper [the Massachusetts Circular Letter], it will be your duty to prevent any proceeding upon it, by an immediate Prorogation or Dissolution. . . ."¹² In June, Hillsborough ordered troops to Boston.

Non-Importation Agreement

It was obvious from these and other instances — the harassment of shippers by customs agents, the increasing of military forces in the colonies, the rejection of petitions — that petitions and resolutions alone would not produce

¹¹ Jensen, *op. cit.*, p. 253.

¹² Greene, *Colonies to Nation*, p. 148.

a change in British policy. The colonists, then, moved toward attempting to hit Britain where it would hurt — in trade. Boston took the lead in adopting a non-importation agreement in August of 1768. What they proposed to do, among other things, was to cease almost all imports from Britain. The movement to do this spread through the colonies, though it was rough going. Understandably, importers and shippers were not overly enthusiastic about this, especially those for whom this was a major source of income. Moreover, it needed to be a concerted effort throughout the colonies. If it were not, ports which remained open could put the efforts of the others to naught. Colonists did succeed in closing down the major port cities in America to most British imports in the course of 1769. The best weapon against ports which did not co-operate was to cut off commercial relations with them. This usually brought them into line.

Though non-importation was far from absolute, it did succeed. Imports from Great Britain into the colonies fell from £2,157,218 in 1768 to £1,336,122 in 1769.¹³ Some ports did much better than this average. For example, Phil-

adelphia's imports from Britain dropped from £432,000 in 1768 to £200,000 in 1769 to £135,000 in 1770.¹⁴ More importantly, since the object of non-importation was not simply to reduce imports from Britain, the British began to back down once again in the face of determined colonial opposition. In 1769, Parliament moderated its position on the Quartering Act to allow colonies to supply troops on their own initiative.

Reduced Tensions under Lord North

More success for the colonies was to follow with the coming of a new ministry. Lord North became, in effect, Prime Minister in early 1770, a position which he was to hold until 1782. During these years he served George III as best he could, doing his will during a time when a man of lesser loyalty and fortitude would have sought a less demanding job. He served his king first by acting to reduce tensions in America. In April, the Townshend duties were repealed, except for the tax on tea. Some concessions were also made in the application of the Currency Act.

It was not long before the non-importation agreements began to be abandoned. There was considerable sentiment for continuing them — after all, the tax on tea

¹³ Richard B. Morris, ed., *Encyclopedia of American History* (New York: Harper, 1953), p. 78.

¹⁴ Jensen, *op. cit.*, p. 357.

had not been repealed, nor had other sources of tension been removed—but many of the merchants had had enough of such self-denial. By various maneuvers, they opened up the ports to British goods once again. This course was the more attractive generally because the hasty efforts at increasing domestic manufactures to replace British imports had produced few tangible results.

Calm Before Storm

The colonies were comparatively calm during 1771. Although there had been clashes between British troops and colonists at New York and Boston (the latter leading to the “Boston Massacre”) in 1770, these did not expand into any general conflict. Such as remained of the British threat to the colonies was difficult to dramatize; there can hardly be said to be a trend toward oppression if the oppressive measures are being reduced. At any rate, no major figure ventured forth to attempt any dramatization. Even though tea continued to be taxed, the amount of tea imported into the colonies from England increased from the low point for the past several years of 110,000 pounds in 1770 to 362,000 pounds in 1771.¹⁵

¹⁵ See Donald B. Cole, *Handbook of American History* (New York: Harcourt, Brace and World, 1968), p. 51.

It was, however, the calm before the storm, the clouds for which began to gather in 1772. The first of these was the burning of the revenue ship, the *Gaspée*, by Rhode Islanders in June. The *Gaspée* had been harassing shipping coming into Rhode Island for some time; the captain was particularly obnoxious in his treatment of those on ships stopped for searches. The *Gaspée* ran aground, and while she was in that disabled condition, a party boarded her, drove the crew off and burned the ship. An investigating committee turned up no useful information but its appointment from England stirred resentment. A little later in the year, the British Exchequer took over the payment of the salaries of the governor and judges in Massachusetts. Here the move that had been long feared: to remove crown officials from reliance on the elected legislature. In November, Boston formed a committee of correspondence which sent statements to other towns in Massachusetts and to all colonial assemblies. Early the next year, the House of Burgesses in Virginia established a committee of correspondence, and most other colonies followed suit.

Tea Act of May, 1773

What stirred the colonists to open resistance once again, how-

ever, was the Tea Act in May of 1773. The purported intent of this act was to rescue the East India Company. That company was in dire straits, on the verge of bankruptcy, and sorely in need of a market for its tea. Though imports had picked up in the American market, it is generally believed that most of the tea consumed in America came from the Dutch; by buying such tea the the colonists unlawfully evaded the tax on it. The Tea Act was devised to make tea from the East India Company almost irresistible. It enabled that company to sell tea directly in America, relieving it of the necessity of selling it first at auction to merchants in England. "By eliminating the middleman . . . the company was able to sell tea in the colonies cheaper than in England," even though it was still taxed in the colonies. "More significantly, its tea now undersold that of the Dutch smugglers."¹⁶

A Monopoly, plus Taxes

The British were about to succeed in doing what John Dickinson indicated to be the danger. They were going to establish a monopoly for a taxed item, something which could not be compet-

itively produced in America, but was very popular. It is likely that had Parliament contented itself with establishing a monopoly it might have got away with it. But the fact that tea was taxed entangled the monopoly question with taxation-without-representation. The objections which had been raised before had now a fresh exemplar; but now Americans were to be seduced into compliance by a lower price.

It did not happen. True, the East India Company caused chests of tea to be loaded on many ships for America, and these put into port at Boston, Philadelphia, New York, and Charleston. The colonists were ready for them; they would not buy or consume the tea, nor would they allow it to be landed if they could help it. The most dramatic opposition occurred at Boston, where Bostonians dressed as Indians boarded the ships and heaved the chests into the water. Patriots prevented tea from being landed in Philadelphia. It was landed and transferred to the customs house at Charleston; there it stayed until war came.

The Intolerable Acts

This time Parliament did not back down when confronted by colonial resistance. The majority determined, instead, on a policy of coercion, a policy backed by four

¹⁶ John C. Miller, *Origins of the American Revolution* (Boston: Little, Brown and Co., 1943), p. 339.

acts passed between March 31st and June 2nd of 1774. They are known formally as the Coercive Acts. The force was to be concentrated on Boston and Massachusetts. The Boston Port Act closed the port of Boston to commercial shipping until such time as the East India Company had been compensated for the tea. The Massachusetts Government Act provided that the governor's council would be appointed by the king, not elected as had been the case, that the governor and king would appoint judges, that juries would

be chosen by the sheriff, and that town meetings could not be held without the consent of the governor, except for annual election meetings. The Administration of Justice Act was of general effect and provided for the trying of certain officials from the colonies in England, if the governor thought it necessary. The Quartering Act applied generally to the colonies, also; it authorized the quartering of troops in occupied dwellings.

The colonists dubbed them the Intolerable Acts. 

Next: The Prelude to Independence.

A Policeman's Lot

A GOVERNMENT'S proper function in a free society is to act as a policeman, not as a regulator over people's actions or choices.

IDEAS ON



LIBERTY

The more regulations or restrictions, the more corruption. Why? Because we have reached a time when honest businessmen must get the right to produce or engage in a business from men who do not produce. A dozen permits are needed by businessmen before they can engage in activity which is their right. More often than not, they must grease the palm of every parasite issuing these permits or suffer deliberate and disastrous delays. In addition the city has the "right" to take away these permits, in the event some asinine regulation is not complied with.

PROFIT

Who is the MARGINAL PRODUCER?

W. A. PATON

LOSS

CONCEPTIONS of the marginal entity ranging from the fuzzy to the downright indefensible are frequently encountered in current discussions of business management and finance and perhaps this justifies some comments aimed at clarification and sharper definition.

Marginal Firm Defined

In making use of the term "marginal" in this connection there is a need, to begin with, to have clearly in view the quality or characteristics we are looking for when attempting to define the marginal enterprise. In this search our concern, presumably, is with the price-making process, and we are focusing attention on

the business firm that occupies the crucial position in this process, for a special field or market area, at a particular point or period in time.

The definition I consider appropriate may be stated as follows: *The marginal producer is the one who is just barely induced to remain in operation by the existing state of affairs and who is so situated with respect to volume of output that his dropping out will exert sufficient pressure on the array of price-influencing forces, through the supply side of the market, as to bring about a recognizable change in product price.*

This was the description of the marginal man or firm, as I recall it, stressed by my revered mentor, Fred Manville Taylor, when I was in his graduate courses sixty years ago. A slightly different version that is acceptable is: *The*

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marginal producer is the one who will be the first to withdraw unless conditions improve.

The Break-Even Approach

The most common conception of the marginal producer nowadays, so it seems, is that of the entity that is precisely at the break-even, zero-earnings stage. The textbooks in the courses in management and other subjects in the schools of business administration are full of charts which identify the break-even position as of critical importance. I am one of those who are getting very tired of this preoccupation with break-even "analysis." In my judgment no convincing case has ever been made for the view that the zero-earning level is a decisively significant spot in connection with business decision-making. And when the "analysis" includes the designation of the firm at the break-even point as "marginal" those who know anything about either economic theory or actual business operation can feel their hackles rising.

The notion that the marginal position is occupied by the break-even producer finds no solid support in business experience. Even firms operating at a loss often hang on for years. This is particularly true in the case of the small or medium-sized firms with

ownership and control residing in a family or small local group, but the condition is not unknown among relatively large enterprises. As long as revenues cover current expenditures, including attractive salaries for executives, immediate management has a strong urge to continue operations, even if the outlook is unpromising to the point of being downright gloomy. This accounts for the phenomenon of corporations that are worth more dead than alive. Examples are not rare of substantial concerns whose shares have been quoted for months or even years at less than net liquidation value (that is, at less than could be realized if the entity disposed of all assets for what they would bring, paid all liabilities, and distributed the balance to shareholders).

In some of these cases the announcement, finally, that the directors had decided on a program of liquidation has caused a sharp advance in the price of the stock. I recall one example, a mining company, with shares listed on a major exchange, where the market price of the stock — which had been hovering under \$2 per share for some time — promptly moved up to \$16 when the plan to go out of business was formally decided upon at a board meeting. The low price preceding the announcement

was of course based on the assumption — by those trading in the company's shares — that the management would continue to fritter away the liquid resources in unprofitable operation and exploration. (By these observations I am not intending to deny that there have been many cases where tenacity in the face of a poor showing over a considerable time has finally paid off.)

It may be safely concluded that in a given situation neither the firm at the zero-earning point nor the concern suffering persistent losses is necessarily the vulnerable, marginal entity, the enterprise just barely hanging on, and that will be the first to drop out if conditions become less favorable. And it may also be concluded that even the most badly situated firm, the one at the very bottom of the stairway of earning power (or that shows the greatest level of loss) need not be in the marginal position in the sense defined above. (Of course, the term might be used to designate the worst-off enterprise — and some seem to employ it for this purpose.)

Profit Maker May Be Marginal

Indeed the marginal producer, soundly defined, may be an enterprise that has an established earning power. Assume, for example, a producer operating in a high-

risk field for some time has been achieving an earning rate of 4 per cent on the stockholder capital employed (computed in terms of the current value of resources less liabilities). Assume, further, that a 10 per cent annual return is regarded as the necessary lure for risk capital in this field, as evidenced by the data of the investment market. With these conditions the management may well decide to curtail production — or stop operations altogether as soon as practicable — and thus step into the marginal-entity role. Remember, it's the producer just on the verge of dropping out, and whose decision will have an effect on product price, who may be regarded as marginal.

In practice, it must be conceded, the identification of the marginal producer in a given industry and time period may be difficult if not impossible. This is especially true when we think of such producers as poised on the brink of withdrawal, but not yet having taken decisive action. The difficulty in the way of specific identification, however, is no warrant for adoption of sloppy or unsound concepts and definitions. A good guess would be that seldom does reaching the precise position of a zero level of earnings signal or trigger a cease-production decision.

The Cost of Capital-Furnishing

In conclusion I wish to return to the fashionable break-even charts and discussions for a moment to register an objection somewhat outside the question of the definition of the marginal firm. From the standpoint of good market-economy theory the basic difficulty with all this rubbish lies in an improper conception of what it means to "break even." If *capital-furnishing* is a primary, essential factor in the productive process — and that this is the case has been brilliantly demonstrated by economists over and over again — it shouldn't be ignored in the com-

putation of *total cost* in the broad sense of price-influencing cost. And if, in a given situation, this cost is omitted from the reckoning, and revenues just match the recognized costs, the producer is not truly breaking even. Instead, he is operating at a loss (even if this is not the way the accountants look at it). Here is a crucial point in the case for the free-market economy as opposed to socialism, and certainly those who strongly prefer control by the market to authoritarian directives (including "freezes") shouldn't use concepts and terms that play into the enemy's hands. ●

How to Attract Capital

THERE IS NO REAL SHORTAGE of capital in the world, and I do not know of any major project which has been held up solely because of the lack of money. Capital is plentiful wherever it is "wanted and well treated." The real bottleneck in the development of the world is the shortage of human capital: people with the skill, training, and education intelligently to employ the world's resources.

IDEAS ON



LIBERTY

The facts are that when political freedom and free enterprise spread, markets increase, and that the expansion of markets is only prevented through political motivation. The interest of American business in the expansion of a free enterprise system around the world as part of a free political system is based not only upon moral considerations, but on the hard fact that there is no market for consumer goods among slaves.

AMERICAN
CAUSE

OR

RESULT?
COMPETITIVISM

RON HEINER

FROM TIME IMMEMORIAL, thinkers and philosophers have attributed to that which has been called the "character" or "spirit" of the people all of those noteworthy accomplishments achieved by various civilizations. Rome was the product of a great spirit of discipline and a genius of organizational ability; the European Renaissance was the product of a rebirth of energy and creativity; and the American rise to world eminence was due to the unheralded rugged competitive spirit of its people. The preeminence of this view is seen by its implicit reflection in most ethnic jokes (i.e., the implication being in certain jokes that the Polish are stupid, the Italians are lazy, the Germans are militaristic, and so on).

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Concomitant with this view is the belief that if order and civilization are on the decline, if "times are bad," what is needed is a recommitment, a rededication, a renewed spirit of sacrifice on the part of the citizens and then all will be well again.

In the last two centuries, however, a select group of thinkers has fundamentally challenged the correctness of these views concerning civilization and social life. Beginning most recognizably with the writings of Adam Smith, *The Wealth of Nations*, there emerged an essentially new discipline later to be called economics, and with it sprang a different view of human civilization which was to revolutionize subsequent thought. Two paragraphs from the opening pages of Ludwig von Mises' *Human Action* serve as a striking

introduction to this view and its significance:

"Other philosophers . . . looked at human things from the viewpoint of government. They were intent on establishing rules of political action, a technique, as it were, of government and state-manship. Speculative minds drew ambitious plans for a thorough reform and reconstruction of society. The more modest were satisfied with a collection and systematization of the data of historical experience. But all were fully convinced that there was in the course of social events no such regularity and invariance of phenomena as had already been found in the operation of human reasoning and in the sequence of natural phenomena. They did not search for the laws of social cooperation because they thought that man could organize society as he pleased. If social conditions did not fulfill the wishes of the reformers, if their utopias proved unrealizable, the fault was seen in the moral failure of man. Social problems were considered ethical problems. What was needed in order to construct the ideal society, they thought, were good princes and virtuous citizens. With righteous men any utopia might be realized.

"The discovery of the inescapable interdependence of market phenomena overthrew this opinion.

Bewildered, people had to face a new view of society. They learned with stupefaction that there is another aspect from which human action might be viewed than that of good and bad, of fair and unfair, of just and unjust. In the course of social events there prevails a regularity of phenomena to which man must adjust his actions if he wishes to succeed. It is futile to approach social facts with the attitude of a censor who approves or disapproves from the point of view of quite arbitrary standards and subjective judgments of value. One must study the laws of human action and social cooperation as the physicist studies the laws of nature. Human action and social cooperation seen as the object of a science of given relations, no longer as a normative discipline of things that ought to be — this was a revolution of tremendous consequences for knowledge and philosophy as well as for social action."¹

In other words, the belief in the sole primacy of ethics in social matters was fundamentally challenged: society could not be organized according to any set of ethical norms; and further, there prevailed certain inescapable effects of various social structures which could not be nullified re-

¹ Ludwig von Mises, *Human Action* (3rd ed., Chicago, Regnery, 1966), p. 2.

ardless of the sincerity and diligence of those individuals attempting to reform the social system in terms of various desired ethical qualities (such as equality in all aspects of social life). Indeed, the view now developed that many of these qualities (viz., character, spirit, dedication, and so forth of the people) could more correctly be regarded as effects or results of certain patterns of social collaboration, rather than the cause of the specific social structure and the achievements of the people therein.

Ethics Plus Organization

Thus, one of the significant revelations derived through the development of economics is that the necessary conditions for the progression and "flowering" of a civilization include not only a system of workable ethical values but also the appropriate system of social organization, and that neither is sufficient without the other. Moreover, if there prevails a set of ethical norms, the practice of which precludes the development of an appropriate system of social organization (for example, beliefs which consider merchants and lenders of money who demand interest as people engaged in activities of low moral character), there can be no general advancement for that civilization; or, if the appli-

cation of a set of political and economic doctrines also precludes the establishment and continuance of an appropriate system of social organization, then appeals and efforts to revitalize the dedication and moral spirits of the populace cannot succeed in bringing about advancement (or preventing downfall) for that civilization.

It could be argued, therefore, that the oft-cited American "competitive spirit" and "rugged individualism" are consequences of that system of social collaboration characterized by the unhampered market economy, and that this competitive drive could not have developed without this system of social collaboration.

Very much related to the above discussion is a remarkable and significant series of events in recent months most dramatically represented by the current "wage-price freeze." In one of the statements made by President Nixon shortly after the initiation of the "freeze," it was emphasized that, in the long run, what is needed to revitalize America (in addition to wage-price controls) is a rededication by Americans to that spirit of competitiveness which made America great.

In light of the preceding development, however, this plea for a recommitment of the American "rugged individualist spirit" is

seen to be completely illusory.

In fact, what has been done is to implement the most drastic form of restriction (general scale price controls) on that system of social organization (viz., the unhampered market economy) which is the cause or necessary co-condition which permitted the emergence of the very spirit of competitive individualism which the President deems as necessary for America's continued greatness.

This means that the President has embarked on a policy which, if continued and enlarged, will eliminate what is left of this competitive spirit and render its re-emergence impossible.

Compounding Error

All of this testifies to the words of Ludwig von Mises in the closing pages of *Human Action*²: "the study of economics is almost outlawed today. The public discussion of economic problems ignores almost entirely all that has been said by economists in the last two-hundred years. Prices, wage rates, interest rates, and profits are dealt with as if their determination were not subject to any law. Governments try to decree and to enforce maximum commodity prices

and minimum wage rates. Statesmen exhort businessmen to cut down profits, to lower prices, and to raise wage rates as if these matters were dependent on the laudable intentions of individuals."

In order to attain any end, appropriate means must be used in order to effect the true causes of that which is sought. The ironic aspect of the solely ethical interpretation of economic affairs is that it fundamentally misconceives the operation of the social system in such a manner as to suppress and obscure the real workings and true causes of the problems it seeks to remedy. In so doing, the measures which are thus implemented themselves become causes of systematic distortions in the economic system; which are then interpreted as proof of the necessity for even more drastic extensions of those original policies — thus compounding and multiplying the distortions in a self-justifying cycle.

All of these considerations would be academic but for the reality that these measures and their extensions adversely affect millions of lives in an essentially irreparable fashion, the ill effects possibly enduring for centuries. (C)

² *Ibid.*, pp. 879-880.

FIXED EXCHANGE RATES AND MONETARY CRISES

STATE INTERVENTION to assure to the community the necessary quantity of money by regulating its international movements is supererogatory. An undesired efflux of money can never be anything but a result of State intervention endowing money of different values with the same legal tender. All that the State need do, and can do, in order to preserve the monetary system undisturbed, is to refrain from such intervention. That is the essence of the monetary theory of the classical economists and their immediate successors, the Currency School. It is possible to refine and amplify this doctrine with the aid of modern subjectivist theory; but it is impossible to overthrow it, and impossible to put anything else in its place. Those who are able to forget it only show that they are unable to think as economists.

LUDWIG VON MISES
The Theory of Money and Credit, p. 249

PEOPLE ADVOCATE identical economic policies for very different reasons. The recent interest, both practical and theoretical, in the subject of international monetary exchange rates is a point in question. Advocates of flexible exchange rates, in which a free mar-

ket in international monetary transactions would set the prices of various currencies, include monetarists — who would have each government manage its own nation's money supply — as well as those who believe in a full gold coin standard to preclude government control. Opponents of flexible international exchange rates,

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on the other hand, include not only the creators of the Bretton Woods agreement that established the International Monetary Fund but also a number of conservative economists.¹ How is it possible that the camps could be divided in this fashion?

To answer this, one has to examine the contexts. Ludwig von Mises, for instance, believes in total freedom in the monetary sphere: the government should be limited to the enforcement of contracts, whatever the exchange medium might be in any particular contractual obligation. Milton Friedman also wants to see all citizens free to own gold and to make contracts in gold, but he thinks the central bank should guarantee a constant increase in the supply of money each year. Mises would reject such a proposal as inflationary, unless the legal tender provision of Federal Reserve Notes were abolished and people were thereby free to avoid doing business in fiat money. But neither man wants to see any infringement on the right of men and women on either side of the border or ocean to make bargains with each other, even if those bargains involve the exchange of national monetary units, present or future.

The Keynesians, who would prefer Friedman's views on monetary

management to Mises' full gold coin standard, find themselves working together with conservative economists who support a gold standard and are anti-inflationary in perspective. Both the Keynesians and these conservatives favor the establishment of government-enforced limits on the range of prices that can legally exist between one currency unit and any other. Unfortunately, no economist seems to be able to agree with any of his colleagues as to the precise acceptable range of price flexibility or the legal mechanism used to enforce such a range; this indicates the nature of the problem. Year after year, the publications of the International Finance Section of the Department of Economics of Princeton University pour out *Essays in International Finance*. We read of crawling pegs and running pegs, of parities and currency swaps, of paper gold and international trust. What does it all mean? So far, no one has even been able to define a Eurodollar, let alone explain how it works; or if someone can, no colleague agrees with him.²

No Faith in Freedom

The Keynesian economist simply does not trust the free market's unhampered price mechanism to clear itself of supplies of scarce economic resources. Thus, we need

fiscal policy, fine tuning of the economy, econometric models, data gathering on a massive scale, and controls over the money supply. Especially controls over the money supply. Naturally, certain flaws appear from time to time: a \$1.5 billion predicted surplus for fiscal 1970 became a \$23.3 billion deficit, but what's a few billion dollars among friends? We owe it to ourselves, right? A private firm, unless it has a cost-plus government contract, would not long survive in terms of such a woefully inefficient economic model, but what do businessmen know about economics, a faithful econometrician may ask? If reality does not conform to the model, scrap reality, by law.

So reality is scrapped, and the Keynesian finds it necessary to abandon one more area of market freedom, namely the freedom of private, voluntary international exchanges of money at prices established by the market. Such a voluntary system of international exchange would reduce the predictability of the government's econometric model. That would allow a "bleeder" in the overall control device. That would allow men to measure the extent of the depreciation of their own and other's domestic currencies, thus calling attention to the policies of inflation and confiscation being en-

forced by their governments and other governments. As for the United States, floating exchange rates on a free international market for currencies would end, overnight, the exported inflation of our continual budgetary deficits.³ That is why government bureaucrats do not generally approve of floating exchange rates.

Flexible Exchange Rates: A Counsel of Despair?

This does not explain why various conservative economists also oppose the extension of the market into the realm of international monetary exchange. The late William Roepke called the idea "a counsel of despair."⁴ His argument against flexible exchange rates: "Without stability of exchange rates any international monetary system would be flawed at an important point, because it would lack a major condition of international economic integration." This sounds plausible enough, until one reads his next sentence: "Just how important this condition is will be seen if we reflect that national economic integration (among the separate regions of one country) is unimaginable with fluctuating rates of exchange between, say, regional currencies."⁵ The government's answer to this "unimaginable" process of regional currencies is to establish a central monopoly of

money creation coupled with a legal tender law. And this is precisely the goal of international socialist planners: a single world bank with a legal tender law to enforce its control over the entire face of the earth.⁶ The planners want a "rational" world economy, but their faith is in bureaucratic rationalization — a bureaucratic hierarchical chain of economic command — and not the rationalization that is provided by a voluntary free market and its sophisticated computer, the free market price mechanism.⁷ As yet, they have not achieved such "rationalization" simply because all the nations want their own domestic, inflationary, autonomous "rationalizations." Fixed exchange rates are as close as they can come to centralized world planning, so they tried it, by means of the International Monetary Fund, from 1947 until August 15, 1971. On December 19 they returned to the familiar policy of fixed exchange rates. Four months of international monetary freedom were all they could take.

***Let the State Control Itself,
Some Conservatives Argue***

Why do conservative economists lend support to fixed exchange rates? Because they think that this is a form of statist intervention into the world market which

can impose restraints on the state's own policies of domestic inflation. The state, the argument goes, will control itself by law. To some extent, this may be true, *temporarily*. The fear of an international run on the dollar may have restrained the Federal Reserve System's expansion of the domestic money supply from December, 1968 through the spring of 1970. Officials may have feared the action of foreign central bankers in demanding gold at the promised price fixed by 1934 law of \$35 per ounce. But this slowing in the money supply created an inevitable reaction: the stock market fell by one third, and the government could no longer finance its debt through sales of bonds to individuals or private corporations. Therefore, the Federal Reserve stepped in once again to purchase the available government bonds at the preferred low interest rate. A new wave of inflation began in the spring of 1970. The pressures on the American gold stock rose once again, and the President finally escaped on August 15, 1971 — or hoped that he had. He cut the dollar's official tie to gold in international payments and left it free to float on the international markets. Of course, this act was a violation of International Monetary Fund rules, to which the United States is a party (or was). As

Lenin said, treaties are made to be broken.

For a time, fixed exchange rates seem to restrain policies of domestic monetary inflation. But for how long? Franz Pick's report lists devaluations every year, and there are a lot of them. They are international violations of contract—violations that call into question the whole structure of international trade. The honoring of contracts is the very foundation of free exchange. Apart from this, economic prediction becomes exceedingly difficult and productivity suffers. Thus writes Alfred Malabre:

International currency exchanges can transpire in various ways. One is through a system where Currency A can indefinitely be exchanged at a fixed rate for Currency B. This is the system that allegedly prevailed through most of the post-World War II era and to which most Western leaders now wish to return. Ideally, it's a magnificent system, because it promises to eliminate uncertainty from international financial dealings. The widget maker knows, when he gets an order from abroad, that the money he will receive will be worth as much to him in the future as at present.

In practice, however, fixed-rate arrangements provide anything but certainty. Between 1944, when the present fixed-rate system was conceived at Bretton Woods, N.H., and

mid-August [1971], when the system finally collapsed, 45 countries changed the international rates for their currencies. In some instances, changes were repeated many times, so that in all 74 currency-rate changes occurred.⁸

The problem with such devaluations, as Mises has shown, is that they create incentives for retaliatory devaluations on the part of other governments. "At the end of this competition is the complete destruction of all nations' monetary systems."⁹ *If there were no fixed exchange rates in the first place, there would be no need for these governmentally imposed economic discontinuities.*

International Stability, a Myth

The myth of international monetary stability is just that, a myth. Stability can only be approached, like economic equilibrium, and then only by the free price mechanism. Exchange rates cannot be fixed without increasing the pressures for the radical discontinuities of revaluation and devaluation. That is why the IMF rules allowed for a 1 per cent band, upward or downward, of flexibility in exchange rates. That is why rules imposed since December 19 allow a currency a plus or minus 2.25 per cent band. But fiat exchange rates cannot supply stabil-

ity in a world of fiat currencies; they can only mask the extent of mutual inflation through an illusion, the illusion of fiat stability. And inevitably, the illusion will be broken, sooner or later, as on August 15.

Fixed exchange rates create an enormous temptation among men whose professional careers are, in a planned economy, dependent upon deception. Fixed exchange rates, themselves a practical absurdity in a world of fiat currency, create a premium on lying. When Sir Stafford Cripps promised that the pound would not be devalued throughout the first nine months of 1949, he led the people to believe that no devaluation was going to take place. And yet it did on September 18, 1949. John Connally had to admit his own part in a similar deception in his August 16 press conference. What else could we do, he pleaded. What else indeed? Once you start the big lie — that exchange rates can be fixed by law without serious economic consequences — you just cannot stop.

Polylogism!

Any economist, of whatever school of thought, can tell you why bimetallism failed in the late nineteenth century. The legal parity between gold and silver, unless changed continually, could not

match the true conditions of the forces of supply and demand between the two metals. Thus, one or the other precious metal was always in short supply *at the fixed price*. The attempt to enforce such a fixed ratio led to monetary disequilibrium — Gresham's Law — in which the artificially overvalued currency drove the artificially undervalued currency out of circulation and into either hoards or foreign countries. Thus it is with every attempt of government at any kind of price control. Thus it is with fixed exchange rates.

Ask the economist who has just demonstrated to his own satisfaction that bimetallism is impossible, since the state cannot successfully set a fixed exchange rate between gold money and silver money, to extend his analysis to dollars and pounds or francs and marks. Then watch him squirm. Logic, when applied to the case of gold and silver, somehow becomes inoperable when applied to dollars and pounds. Mises has an expression for this: *polylogism*. It is his most contemptuous expression. Mises, of course, subsumes exchange rate fixing under the general theory of exchange, thus following the logic of bimetallism through to the logic of the impossibility of permanent fixed exchange rates in international monetary transactions.¹⁰

Professor Mises long ago had demonstrated the utter bankruptcy theoretically of fixed exchange rates and their tendency to lead to national bankruptcy in practice. He did so in his 1912 classic, *The Theory of Money and Credit*, and in *Human Action*. The general theory of monetary exchange starts from a premise:

For the exchange-ratio between two or more kinds of money, whether they are employed side by side in the same country (the Parallel Standard) or constitute what is popularly called foreign money and domestic money, it is the exchange-ratio between individual economic goods and the individual kinds of money that is decisive. The different kinds of money are exchanged in a ratio corresponding to the exchange-ratios existing between each of them and the other economic goods.¹¹

In other words, if 1 ounce of gold is exchanged for 10 pounds of another commodity and 1 ounce of silver is exchanged for 1 pound of that same commodity, then the exchange-ratio of gold to silver should be 1:10. Fifty years later, Mises was still saying the same thing:

The final prices of the various commodities, as expressed in each of the two or several kinds of money, are in proportion to each other. The final exchange ratio between the various kinds of money reflects their purchas-

ing power with regard to the commodities. If any discrepancy appears, opportunity for profitable transactions presents itself and the endeavors of businessmen eager to take advantage of this opportunity tend to make it disappear again. The purchasing-power parity theory of foreign exchange is merely the application of the general theorems concerning the determination of prices to the special case of the coexistence of various kinds of money.¹²

That last sentence is crucial. Exchange rate theory is simply a subordinate application of the more general theory of price. Mises continues:

Let us consider again the practically very important instance of an inflation in one country only.

The increase in the quantity of domestic credit money or fiat money affects at first only the prices of some commodities and services. The prices of the other commodities remain for some time still at their previous stand. The exchange ratio between the domestic currency and the foreign currencies is determined on the bourse, a market organized and managed according to the pattern and the commercial customs of the stock exchange. The dealers on this special market are quicker than the rest of the people in anticipating future changes. Consequently the price structure of the market for foreign exchange reflects the new money relation sooner than the prices of many

commodities and services. As soon as the domestic inflation begins to affect the prices of some commodities, at any rate long before it has exhausted all its effects upon the greater part of the prices of commodities and services, the price of foreign exchange tends to rise to the point corresponding to the final state of domestic prices and wage rates.

This fact has been entirely misinterpreted. People failed to realize that the rise in foreign exchange rates merely anticipates the movement of domestic commodity prices. They explained the boom in foreign exchange as an outcome of an unfavorable balance of payments. The demand for foreign exchange, they maintained, has been increased by a deterioration of the balance of trade or of other items of the balance of payments, or simply by sinister machinations on the part of unpatriotic speculators.¹³

The Speculator's Role

The speculators perform a crucial set of services, contrary to popular opinion. They help balance the supply of and demand for future moneys. In doing so, they help to reduce the zone of uncertainty about the future. Second, they also alert citizens of any given country to the monetary policies of their own central bank. If the policies of monetary expansion are being pursued by the central bank, the speculators will reveal this fact, daily, to anyone

wishing to consult a financial newspaper. The citizen receives information from an impartial source concerning the latest opinions of skilled, competitive and domestic monetary experts concerning the stability or lack of stability of his own country's money. Because of this, the freedom of the international monetary speculator is as crucial to the defense of free institutions as one might imagine. Hamper his activities, and you have taken a sinister step away from freedom. The bureaucrats know this:

What those governments who complain about a scarcity of foreign exchange have in mind is, however, something different. It is the unavoidable outcome of their policy of price fixing. It means that at the price arbitrarily fixed by the government demand exceeds supply. If the government, having by means of inflation reduced the purchasing power of the domestic monetary unit against gold, foreign exchange, and commodities and services, abstains from any attempt at controlling foreign exchange rates, there cannot be any question of a scarcity in the sense in which the government uses this term. He who is ready to pay the market price would be in a position to buy as much foreign exchange as he wants.

But the government is resolved not to tolerate any rise in foreign exchange rates (in terms of the inflated domestic currency). Relying

upon its magistrates and constables, it prohibits any dealings in foreign exchange on terms different from the ordained maximum price.¹⁴

Radical economic discontinuities are difficult to predict—far harder than economic continuities. The steady movement of international exchange transactions in terms of an unhampered free market is basic to economic continuity. Impose fiat exchange rates, and you create the “stability plus devaluations” program which the Bretton Woods agreement imposed on the world. You create the “hot money” effect, as currency speculators are forced to anticipate radical jumps in the fiat exchange rates, thereby encouraging them to transfer billions of dollars or marks or pounds or francs from one country to another, trying to beat the imposition of September 18ths or August 15ths.¹⁵ It is a huge game of musical chairs, except that people’s lives—economically, politically, and physically—are at stake. In the 1949 edition of *Human Action*, Mises wrote, concerning “hot money”: “All this refers to European conditions. American conditions differ only technically, but not economically. However, the hot-money problem is not an American problem, as there is, under the present state of affairs, no country which a capitalist could deem a safer refuge

than the United States.”¹⁶ It is a testimony to the monetary inflation of the past twenty years in this country that Mises saw fit to drop that footnote from the 1963 and 1966 editions of his book.

Instability?

Wouldn’t the establishment of a totally free market for international monetary transactions add elements of instability into international economic affairs? Emphatically no! What it *would* do is to present a highly accurate reflection of the economically irrational policies of fiat money creation that are being pursued with a vengeance by almost every government on earth. It would serve as an economic mirror which would answer truthfully the question, “Mirror, mirror on the wall, who has the most honest currency of them all?” Daily, the international money mirror would answer the truth and it would also give its guess as to the answer at any point in the future concerning any given currency. Like the wicked witch of Snow White, domestic magicians of fiat money resent that inescapable answer. So they buy themselves a new mirror—fixed exchange rates. Unfortunately, these fiat mirrors break periodically, causing great confusion, consternation, and windfall profits and losses to speculators. And, need we

be reminded, everyone involved in foreign trade — prospective buyers of Volkswagens and Hong Kong toys included — is an international speculator.

Instability is the charge that is always made against the market by statist interventionists. Marx and Engels leveled precisely this criticism of the theory of capitalistic economics. Capitalistic distribution, they argued, is anarchistic.¹⁷ Such a view of capitalist processes stems from a fundamental misconception: supposedly, there are no laws of economics regulating the voluntary exchanges which take place in the free market, and therefore fiat state rules must be imposed on the “disorder” of market affairs. Everywhere these critics look, the free market tends toward instability — an instability defined as anything deviating from that model which a central planning board would impose on the economy. “Pass a law! Make it stable!” Not quite. “Pass a law! Make it rigid! Watch it break!” That’s it exactly; the breaks, in international monetary affairs, are called devaluations and revaluations. They happen all the time.

The Subsidy to Business

If you do not impose fixed exchange rates, we are told by various conservative economists as

well as by neo-Keynesians, you will see the destruction of international trade. Businessmen apparently cannot afford to bear the terrible uncertainties associated with forward currency speculation. How do we know this? Because businessmen, who have become used to international price controls on money — fixed exchange rates — and who have learned how to make profits under such interventionist measures, constantly tell us so. Like the farmer who wants his subsidy (fixed parity prices guaranteed to him by the state for his goods), like the domestic producers of steel who want tariff subsidies, like the airlines that want price floors for their flights (whether international or domestic), like the labor union leader who wants compulsory bargaining legislation, the foreign trade entrepreneur wants his contract guaranteed by fixed exchange rates. He just cannot bear the uncertainties of future prediction, in spite of the fact that *all* entrepreneurial profit is a residual accruing to successful predictors.¹⁸ Instead, the state is supposed to bear the uncertainties of prediction. The state is supposed to worry about the rate of exchange of its currency with any other currency, at any time. The bureaucrat in a state office is supposed to take the responsibility

that at a particular point in the future the currencies of the world will trade at certain fixed parities. Let the violent intervention of the state compel men on both sides of any border to accept each other's currencies at a legal rate, and you have turned the economic affairs associated with international trade over to the bureaucrats. The entrepreneurs, by allowing state officials to bear the responsibility for certain aspects of international trade, thereby give to the state a great power over their businesses. Thus, citizens in every country lose their personal freedom to that extent.

Why is it that private entrepreneurs involved in international trade want the government to take over the responsibility for organizing the terms of the monetary exchanges which govern the operation of their businesses? This is a familiar tale. It is the old respected argument of the vast majority of people: let my suppliers compete, keep my competitors out of the market. Let others bear the burden of predicting the future. Subsidize me. I'm the important one. And governments do it. They take profits away from one group — international currency speculators — and guarantee the price of foreign exchange — almost. Unless there is a devaluation, of course. And then it is every man for him-

self and any port in a storm. (The port is usually Switzerland.)

Counting the Costs of Intervention

A key rule was laid down by Jesus to his disciples: *count the cost* (Luke 14:27-30). He was speaking of spiritual matters, but as he so often did, he explained them in terms of familiar economic affairs. That principle has been the economic foundation of Western civilization, and especially of capitalism. It is, specifically, the inability of socialist economies to count the costs of anything that constitutes the most patent economic failure of socialism.¹⁹ It is the genius of the free market that it allows voluntary, flexible pricing of scarce economic resources. Apart from this free pricing mechanism, there can be no free market economy, by definition, and no economic calculation.

When a state inflates its monopolistically controlled domestic currency — which it could not do if it did not hold the monopoly — it creates many problems for the economy. It makes forecasting more difficult. This leads to the demand for more controls over the economy — to mitigate the effects produced by the very policies of monetary inflation. These controls are an attempt by bureaucrats to disguise these effects. The effects are called rising prices. The con-

trols are called price and wage controls.

On August 15, 1971, the President of the United States announced the unmitigated failure of the IMF agreements of 1944. The gold-exchange standard no longer operated, as it had for 25 years, to shield this country from the effects of its own policies of monetary inflation. So it was scrapped. Bretton Woods is dead, Arthur Okun announced a few hours later. Conservative economists — a few of them at least — had been saying that since 1945. The President announced that the cure for this unparalleled economic failure of international finance would be the complete abandonment of fixed exchange rates internationally. International price controls over the free exchange of money, we were told, were clearly leading to economic disaster. Indeed, that was exactly where such controls were leading, as all interference with prices will invariably lead.

Domestically, however, voluntary pricing had led to another disaster: higher prices. The President failed to mention that Federal deficits financed through Federal Reserve fiat money creation had caused prices to rise. So to "cure" domestic economic affairs, the President imposed price and wage controls. There is a peculiar

sort of irony here. In order to cure an international economic disaster which had been caused by price controls, the President allowed the dollar to float. In order to cure the domestic economic disaster, the President imposed domestic price controls.

Controls in international monetary affairs are specifically designed by bureaucrats to hide the effects of policies of domestic monetary inflation. Similarly, controls on domestic prices are designed to hide the effects of those same policies of domestic monetary inflation. If the purpose of controls is to hide effects rather than to remove causes, then they involve the use of fraud.

What the advocates of a free market should desire is that the price system be left completely uncontrolled, in order that it might register the subtle and unsubtle shifts in economic external conditions. Only then can entrepreneurs predict the future with any degree of success. Only then will those who wish to buy at the best possible price be served. Everyone should count the cost of his actions. Price controls interfere with such cost accounting.

Exposing Inflation

Advocates of floating exchange rates may be advocates of domestic monetary inflation. But so can ad-

vocates of fixed exchange rates, as Keynes would seem to demonstrate. The issue is not whether floating exchange rates will make it easier for domestic governments to inflate. The issue is whether price controls are legitimate tools of government economic policy. If they are, then we can begin to examine the specifics of the arguments for fixed exchange rates. If they are not, then the debate is ended. For fixed exchange rates are, by definition, price controls.

Good economic theory results in good economic practice, as Mises and Hayek have explained repeatedly. We do not apply sound economic theory and produce economic disaster. Thus, it is possible to argue that free pricing in international monetary affairs will be beneficial to all citizens who wish to enter the market in order to make voluntary exchanges. Free pricing among the various national currencies will help to expose the policies of monetary inflation in any given nation, thereby adding incentives to citizens of that country to challenge their government's policies. This, of course, assumes that citizens generally are economically rational and prefer good consequences to bad ones. It is easier for a man to count the costs of socialism in the monetary sphere if he can witness, daily, the statistics that chronicle

the deterioration of the purchasing power of his money.

Let Citizens Own Gold

If a citizen can own gold, so much the better. If a free market in gold is allowed to operate, so much the better, for the price of gold, in relation to the citizen's paper currency, will rise as a consequence of the continuing monetary inflation. This gives a citizen the opportunity to make a profit by taking his paper money to the local branch of the national Treasury and buying gold at the fixed, legal rate of exchange (which has become a legal fiction as a result of the monetary inflation).

Let citizens, rather than the state, profit from the higher price of gold. Let their desire to make a profit act as a barrier that helps to retard state officials in their inflationary policies, as the Treasury's supply of gold decreases.

A fixed rate of exchange between gold and a currency is not the same thing as fixed rates of exchange between currencies. A fixed ratio between gold and any particular currency is definitional: a unit of paper money is said, by definition, to represent so much gold at a specific fineness. *Free convertibility* of a currency into gold requires a legalized *fixed* ratio of exchange; free convertibility of one *national currency with*

any other requires a *flexible* rate of exchange set by the market. The former is a definitional relationship; the latter cannot be.

Obviously, the best possible world would be one in which no government has any monopoly of credit or money creation, where all citizens all over the globe have the right to own gold and make contracts in gold. But just because utopia has not arrived, there is no reason to abandon the theory of voluntary exchange at unhindered prices. The argument we hear so often today is this: "Given the government's monopoly over money, given policies of deficit financing through monetary inflation, given domestic legal tender laws, we therefore need price controls over international monetary exchange." *Polylogism!* The fact that we find ourselves in an increasingly socialistic economy in no way disproves the theoretical validity of free pricing — any time, any place, under any circumstance. If the theoretical (and therefore the practical) validity of free pricing is undercut in any way simply because of all the socialistic "givens" that we operate under, then Marx was right, Hegel was right, the German historical school of economics was right, institutional economics is right, historicism is right, and economic theory is wrong.

Multiple Interventions

There is a tendency, argues Mises, for one intervention by the state into the economy to lead to another intervention. The disruptions caused by the first intervention lead to cries for further political intervention to solve them. The state takes control of money, to "reduce the irrationality of the domestic money markets." (And to arrogate unto itself ultimate sovereignty.) Then it inflates the currency in order to increase its own influence in the affairs of men by gaining access to scarce economic resources with the inflated currency. Then citizens refuse to accept the debased money. So the state's officials pass legal tender laws. The money, now artificially overvalued, drives out both gold and silver. People prefer to trade in the artificially overvalued money and either hoard the gold and silver or send it abroad where it can purchase foreign goods cheaper than the domestic inflated currency can purchase them. As domestic goods climb in price due to the inflated paper currency, imports increase and dollars flow out; foreign central banks then raise the price of their currencies in relation to dollars. The United States government realizes that this exposes its policies of domestic monetary inflation and therefore presses for fixed exchange rates.

Then foreign governments, buried in dollars (at the artificially low price), begin to demand gold (held by our government at an artificially low 1934 price). One intervention leads to another, usually. But not always.

The exception came on August 15. Basically, the President had three choices. First, balance the budget and stop the monetary inflation — maybe even use the surplus of revenue over expenditures to reduce the national debt. Unfortunately for political purposes, such an action would have risked depression and high unemployment (given the previous policies of monetary expansion and the downwardly inflexible wage rates that prevailed in a unionized economy).²⁰ Second, continuing the deficits, he could let all of our gold (their gold, really, given our promise to pay on demand) flow out. Third, the President could have established floating exchange rates and cut the redeemability of the dollar in terms of gold. This is exactly what he did. It involved a return to free market pricing of international monetary exchanges. He believed that it was preferable to do this than to take either of the first two steps. In this sense, pressures internationally on the dollar forced the President to return to a policy which was closer to the free market than the policy

of fixed exchange rates which had been established by the IMF in 1947. Naturally, to make the operation truly conservative, he should have maintained the free convertibility of gold provision and re-established it domestically with American citizens. This did not detract from the basic move which he made; namely, to reestablish free floating exchange rates in which voluntary transactions of money internationally can prevail. By returning to fixed exchange rates on December 19, the President thereby abandoned the advance made on August 15, re-establishing the rigidities that lead toward economic discontinuities.

Yet what did we find between August 15 and December 19? Many advocates of free market economics were howling bloody murder! "Free pricing is fine, and all that, *but*, given prior interventions by the government. . . ." Leonard Read is right: "We are sinking in a sea of butts."²¹

Return to Gold

What is the proper position with respect to valid international money? Clearly, a money system which is the product of free men, voluntarily exchanging scarce economic resources. Professor Murray Rothbard has given us a picture of what such a system might be:

Why not freely fluctuating exchange rates? Fine, let us have freely fluctuating exchange rates on our completely free market; let the Rothsards and Browns and GMs fluctuate at whatever rate they will exchange for gold or for each other. The trouble is that they would never reach this exalted state because they would never gain acceptance in exchange moneys at all, and therefore the problem of exchange *rates* would never arise.

On a really free market, then, there would be freely fluctuating exchange rates, but only between genuine commodity moneys, since the paper-name moneys could never gain enough acceptance to enter the field. Specifically, since gold and silver have historically been the leading commodity moneys, gold and silver would probably both be moneys, and would exchange at freely fluctuating rates. Different groups and communities of people would pick one or the other money as their unit of accounting.²²

Floating exchange rates reflect what the prevailing external economic conditions really are. The rule governing the operation of floating exchange rates is identical to the rule operating in all computer affairs: "Garbage in, garbage out." If prevailing economic conditions on the international markets are inflationary, then floating exchange rates will respond appropriately, making the best of a very bad situation. If a

full gold coin standard exists internationally, then floating exchange rates will make the best of a very good situation. Floating exchange rates are nothing more and nothing less than freely fluctuating voluntary prices on international markets (even if the primary participants are national central banks). Like all other forms of free pricing, floating exchange rates make things better than things would be under coercive price controls. Floating exchange rates should not be regarded as some kind of economic panacea for the world's inflationary conditions, except insofar as free pricing is always a panacea in relationship to the conditions which exist under government-imposed prices. No matter what other external conditions may be — inflationary, deflationary, relatively stable, gold standard, fiat standard, electric money standard, or any other standard conceivable to the mind of man — *free pricing is always preferable to fiat price controls*. Always.

There is no doubt that domestic monetary inflation, especially if carried on by a majority of national governments, produces great uncertainties in international trade. There is also little doubt that floating exchange rates impose the burden of dealing with these economic uncertainties on the shoul-

ders of those who wish to participate in international trade and who expect to profit from such voluntary exchanges. These people are precisely the ones who *should* bear the burdens associated with economic forecasting. They are all entrepreneurs. If they resent the uncertainties associated with international trade in a world of fiat money, then they should put pressure on their respective governments to restore a full gold coin standard domestically. They should not be lured by the siren call of statist price controls to reduce the visible effects of statist policies of domestic monetary inflation.

If we want stable exchange rates, then there is one way, and only one way to get them: each government must impose upon itself the restraint of the full gold coin standard, give up its monetary monopoly, return the right of gold ownership to its citizens, and spend only that money which is raised directly through taxation. That is the way to achieve the goal of international monetary stability — not rigidity, but calculable, predictable, moderate stability.²³ The rule of gold alone has proven itself to be a producer of international monetary stability. That rule, and not the rule of government bureaucrats, is the foundation of monetary stability.²⁴

The conclusion should be obvious: all advocates of free markets should call for solutions that promote economic freedom. If the proposed solutions do not promote free pricing on free markets, they are fallacious solutions. Fixed exchange rates limit the voluntary economic exchange of goods among free men. Therefore, fixed exchange rates are the wrong solution.

— FOOTNOTES —

¹ Paul Einzig, *The Case Against Floating Exchanges* (New York: Macmillan, 1970). Einzig's weekly column in *The Commercial and Financial Chronicle* includes an attack on floating exchange rates at least once a month. Cf. Brochure, Committee on Monetary Research and Education, Inc. (1971), pp. 9-10.

² *Business Week* (September 25, 1971), pp. 91 ff.

³ On exported inflation, see Wilhelm Roepke, "The Dollar as Seen from Geneva," *National Review* (March 8, 1966); *Against the Tide* (Chicago: Regnery, 1969), ch. 13: "The Dilemma of Imported Inflation."

⁴ *Against the Tide*, p. 229.

⁵ *Ibid.*, p. 230.

⁶ Ludwig von Mises, *Human Action* (3rd rev. ed.; Chicago: Regnery, 1966), pp. 476-78.

⁷ Cf. Gary North, "Statist Bureaucracy in the Modern Economy," *THE FREEMAN* (January, 1970); Mises, *Bureaucracy* (New Rochelle, New York: Arlington House, [1944] 1969); North, "The Mythology of Spaceship Earth," *THE FREEMAN* (November, 1969). On the nature of knowledge and the market's division of labor, see F. A. Hayek, *Individualism and Economic Order* (University of Chicago Press, 1948), ch. 2.

⁸ Alfred L. Malabre, Jr., "Is It Really Time for Monetary Cheer?" *Wall Street Journal* (December 2, 1971). Malabre's estimate of the number of devaluations is far too low. Franz Pick, in the introduction to the second edition of *All the Monies of the World* (1971), reports that at least 418 partial or full devaluations took place in 108 countries between 1954 and the end of 1970. 1971 saw an additional 99 devaluations: *Barron's* (January 3, 1972), p. 9. This, in spite of the so-called stabilizing influences of the International Monetary Fund, the organization drawn up at the Bretton Woods Conference in July, 1944, officially established on December 27, 1945, and put into operation on March 1, 1947.

⁹ Mises, *Human Action*, p. 791.

¹⁰ *Ibid.*, p. 800.

¹¹ *The Theory of Money and Credit* (Foundation for Economic Education, 1971), pp. 180-81.

¹² *Human Action*, p. 455.

¹³ *Ibid.*, pp. 455-56.

¹⁴ *Ibid.*, p. 801.

¹⁵ *Ibid.*, pp. 464-66.

¹⁶ *Ibid.* (1949 ed.), p. 462n.

¹⁷ Karl Marx, *Capital* (New York: Modern Library), p. 391. This is the first volume of *Capital*. He continued this same argument in Vol. 3 (Chicago: Charles H. Kerr, 1909), pp. 673, 1027. Frederich Engels, *Herr Eugen Duering's Revolution in Science [Anti-Duering]* (London: Lawrence & Wishart, [1877] 1934), pp. 296-301. For a critique of this concept of capitalist contradiction, see Gary North, *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968), p. 154.

¹⁸ Mises, *Human Action*, pp. 289 ff. Cf. Frank H. Knight, *Risk, Uncertainty and Profit* (New York: Harper Torchbook, [1921] 1965), pt. 3.

¹⁹ Mises, "Economic Calculation in the Socialist Commonwealth," (1920), in

F. A. Hayek (ed.), *Collectivist Economic Planning* (London: Routledge & Kegan Paul, [1935] 1963). Cf. Mises, *Socialism* (New Haven, Conn.: Yale University Press, [1922] 1962), pp. 119-62; T. J. B. Hoff, *Economic Calculation in the Socialist Society* (London: Hodge, 1949). For an able refutation of the myth that Oskar Lange in some way "refuted" Mises on this point, see Paul Craig Roberts, "Oskar Lange's Theory of Socialist Planning," *The Journal of Political Economy*, LXXIX (1971), pp. 562-77. Roberts is not really happy with Mises' original formulation of his critique, however.

²⁰ Mises, *Human Action*, ch. 20. Cf. Gary North, "Repressed Depression," *THE FREEMAN* (April, 1969); North, "Downward Price Flexibility and Economic Growth," *THE FREEMAN* (May, 1971).

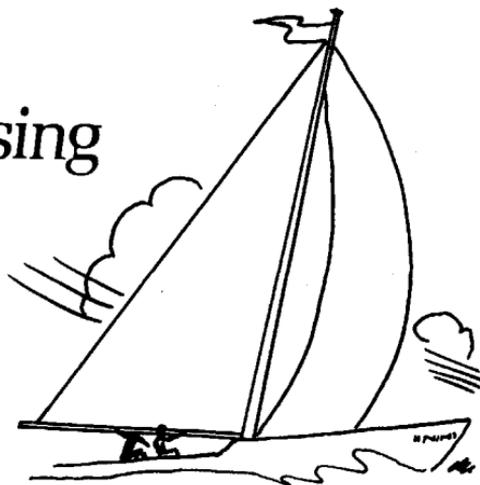
²¹ Leonard E. Read, *Talking to Myself* (Foundation for Economic Education, 1970), ch. 6.

²² Murray N. Rothbard, "The Case for a 100 Per Cent Gold Dollar," in Leland B. Yeager (ed.), *In Search of a Monetary Constitution* (Cambridge, Mass.: Harvard University Press, 1962), pp. 100-01.

²³ Mises, *Theory of Money and Credit*, p. 240. Cf. North, "Downward Price Flexibility," pp. 312-13.

²⁴ I must admit that the passage in Mises' *Theory of Money and Credit*, "Currency Reform in Ruritania," does not seem to conform to every other statement written by Mises with regard to the political control of prices, including rates of exchange. He calls for a state agency to set a legal parity and "to make this legal parity an effective real market rate, . . ." (p. 445). The meaning of this obscure passage is best understood in terms of his attack on statist foreign-exchange policy which appears on pp. 18-19. The whole corpus of Mises' writings is opposed to price controls; a single deviation — if, indeed, it is a deviation — should not be used to compromise the impact of his overall defense of the free market.

Cruising Speed



WILLIAM F. BUCKLEY, JR.'S *Cruising Speed: A Documentary* (Putnam, \$6.95) begins as a chronicle of a week in the life of America's most engaging publicist. But time, with Bill Buckley, has a Proustian dimension, so the form becomes an excuse for unlocking years as well as days. A telephone call to Bill Buckley takes us in one direction, a "Dear Sir, You cur" letter in quite another, an encounter with a friend or colleague in still a

third, until after darting down a hundred avenues one has the illusion that one is peeling off one of those Chinese eggs which contain egg within egg, almost to the vanishing point. But then, one reflects, the Chinese egg image won't do at all, for the average Buckley egg is so bursting with its own meat that it could contain nothing else.

Since the form is immaterial, it scarcely matters that the docu-

mented Buckley week began at Bill's Stamford, Connecticut, seaside home at ten o'clock on a Monday morning *after* a newspaper column had been written and some routine correspondence handled. The important thing is that one thing provokes another even as Bill is riding into Manhattan to tape-record a couple of TV shows.

Memories crowd until the book becomes as complex as the Buckley character, which deceives many who come upon it merely one aspect at a time. Yes, Bill Buckley can be offensive to modern-day liberals, as when he sets down in his list of accomplishments in *Who's Who in America* the fact that he founded the National Committee to Horsewhip Drew Pearson in 1967. Like any man of wit, Buckley outrages those who have no wit at all. But witty outrage, with Buckley, precedes from a gorgeous sense of unmalicious fun.

As Critics See Him

Unlike a few polemicists whom I could mention, Buckley stays in the kitchen not only because he likes to cook but also because he can stand the heat. His sense of editorial honor does not permit him to hide anything, so he prints a long diatribe about his character written by one Hank Levine, the chairman of the Party of the Left of the Yale Political Union. Mr.

Levine sees Buckley in terms of a "kind of silent leer-wince," which, whatever this may say about the Levine eyesight, indicates that Leftist undergraduates at Yale can be as tone-deaf as a mummy.

What seems to Mr. Levine to be a superiority complex is, in a way, Mr. Buckley's way of overcoming his environment. He grew up with "liberals" to the left of him, to say nothing of those who kicked him from behind and gouged him from in front. (I recall defending Bill Buckley years ago against a charge, made by an editor of a well-known "liberal" monthly, that Buckley's *National Review* lacked humor, which is about as idiotic a criticism as could be made.) Bill had to rehabilitate wit among the witless, to re-establish elegance and finish in the arena of controversy, to bring tone and savor and cutting edge to our polemics. He could not have done this without having had some theatrical sense. Underneath the showmanship is the overmastering urge to instruct.

A Becoming Modesty

It may seem strange to Hank Levine, but Bill Buckley actually comes through in *Cruising Speed* as a person of most becoming modesty. He can kid J. Kenneth Galbraith, who is his friend, but when Galbraith tries, on the way to the ski slope at the Rinderberg in

Switzerland, to persuade Bill to focus his energies on books, the bantering tone disappears from the Buckleyian text. Give it up, says Galbraith, give up the whole thing, *National Review*, journalism, television, radio, lecturing. I did it, says Galbraith, I left *Fortune* and went to Harvard. Come to the academy and write books. It is only books that count in giving theoretical depth to ideological positions.

Now, if Bill Buckley were truly arrogant, he would have turned on Galbraith and said something to the effect that books can mislead as well as lead. Instead of indulging in a flip retort, however, Bill was provoked only to some dispassionate self-appraisal. He told himself that others had already provided the theoretical depth for conservatism. Wasn't it his mission, therefore, to advertise the profundity of the foundations already provided by others? How, he asked, could he hope to "do better against positivism than Voegelin has done?" How could he improve on "Oakeshott's analysis of rationalism?" How could he "rediscover orthodoxy more engagingly than Chesterton?"

What of the Reserves?

To feel satisfied, so Bill Buckley told himself while musing on Gal-

braith's challenge, one must have a sense of social usefulness. But what, he asked himself, were his reserves? What would he have to satisfy those who listened to him tomorrow?

Turning back to "cruising speed," which involved getting to Washington in Frank Stanton's Columbia Broadcasting System jet plane and writing next day's column, Bill inevitably had to let the question of his reserves drop. But he needn't worry; the reserves will be there.

Since Bill himself has tossed the name of Chesterton, a superlative journalist, into the discussion, it should be said that journalism itself often has a theoretical depth that is missing in books. Galbraith's view of the superiority of the academy is all too simple. H. L. Mencken, no academician, wrote journalistic essays and criticism that have stood the transplanting between book covers. But who remembers W. C. Brownell, or Henry Beers, or other academic critics of Mencken's heyday? Who knows, Buckley's "journalism" may prove more enduring than, let us say, Galbraith's *The New Industrial State*? (Not wishing to be invidious, I hasten to add that I grant a permanent literary value to Galbraith's *Affluent Society*; its phrasing is always first-rate, even

when the logic leaves something to be desired.)

Government's Limited Role

Just how good Bill Buckley can be is proved by his little essay written in defense of the *National Review* position (see page 92, where he passes along his musings while driving to Bridgeport to debate with Dick Gregory.) "It was fourteen years after NR began," says Bill, "that Peter Drucker would write in *The Age of Discontinuity* that the only thing government can do effectively is wage war and inflate the currency . . . individuation is what happens when the state ceases to be taken for granted as the necessary instrument for human progress. The conservative who spoke to little audiences fifteen years ago about the necessity for arresting the growth of government was saying then what the followers of Reich (author of *The Greening of America*) have come upon, except that they are now condemning America, while what they ought to be condemning is what I once called the special effronteries of the twentieth century. . . ."

For fifteen years Bill Buckley has been trying to tell people that nobody can "lead happy or full lives by buying one share each of common stock in - The State." This position was not new when Ches-

terton espoused it in England, nor when Albert Jay Nock taking off from the German Franz Oppenheimer, gave "theoretical depth" to it in *Our Enemy, The State*. Readers of *The Freeman* know better than most, however, that the theme was never in such need of refurbishing as now, when prices are being "controlled" in a time of peace. Bill Buckley's refurbishing is elegant, precise, and engaging, whether it appears as journalism - or in a book.



- **LIBERTARIANISM: A POLITICAL PHILOSOPHY FOR TOMORROW** by John Hospers. (Los Angeles: Nash Publishing Co., \$10)

Reviewed by: Allan Malz

THIS simply and lucidly written introduction to the free market philosophy summarizes the arguments of the finest libertarian literature.

In the first ten chapters, the author - a University of Southern California philosopher - discusses a broad range of topics. He defines the proper scope of government action, and analyzes the various

types of State intervention whose disastrous results are so often blamed on capitalism. A persuasive justification of profit, on both moral and economic grounds, is presented. In an especially incisive chapter, Professor Hospers examines the welfare state, describing how, after each anti-poverty program, the poor somehow end up even poorer, and demonstrating that only a truly free market can effectively reduce poverty. This leads him into a discussion of taxation and its corrosive effects on enterprise.

The author's most important arguments, however, are reserved for the final chapter, in which he presents the case against anarchism. The no-government philosophy speaks for itself through lengthy quotations from its partisans, after which Professor Hospers analyzes it from a limited government point of view. He shows that anarchy would mean open season on minority groups and nonconformists. In the absence of government, there could be no Rule of Law, and certainly not the "objective law" of which the anarchists claim to be the champions. Even an anarchist must admit that some services cannot be supplied by the market, the author concludes, and it is precisely these that is the task of government to provide. A society

in which any man can call himself a "defense agency" and take the law into his own hands would surely be an unstable one in which peaceful cooperation could not last; a "no-government society is always trembling on the verge of chaos," he observes. And there is no reason to believe that any government emerging out of chaos would be a limited one.

The weakest section is Hospers' discussion of natural rights. Too much of what Bentham would have called "sentiment" is brought into the explication. The reader is given no firm reason to believe that natural rights really exist, and it is not explained why they are "inalienable." Rousing prose about the beauty of liberty is sometimes substituted for reasoned explanation of its practical benefits. Fortunately, the flaws are limited to the opening chapters, and do not detract much from the value of the book.

All in all, a useful book, both as an introduction for the beginner and as a sort of memory-refresher for the advanced student.



▶ **THE REGULATED CONSUMER**
by Mary Bennett Peterson (Los Angeles: Nash Publishing, 1971, 271 pp., \$7.95)

Reviewer: Tommy W. Rogers

CONSUMERISM has spawned a multitude of regulations and a host of federal agencies to enforce them, but has it helped the consumer? It is the author's contention, well documented and illustrated, that consumerism is inherently uneconomic — and, ironically, anticonsumer; it adversely affects individual choice and diminishes efficiency in the use of our resources. Americans pay cartel prices for the coffee they drink and the sugar they eat, and in the process injure efficient international producers and world competition. Unions, as well as the government controlled farm sector, have the makings of giant cartels as government induced and protected monopolies. Government farm programs continue to widen the gap between rich agriculturalist-businessmen and poor farmers, and compulsory unionism not only limits freedom but breeds corruption.

The author contends that "combinations and conspiracies against trade may appeal to the monopolistic mentality, but in practice,

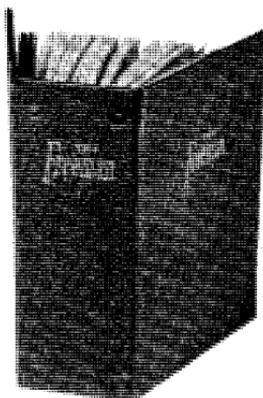
unless enforced by government, they tend to evaporate." Regulatory agencies which supposedly "protect" the consumer become buffer agencies which act as accommodative bodies of the businesses they are supposed to regulate, at the expense of the public, as classically illustrated by the Interstate Commerce Commission.

A determined ICC seeking to give the image of zealously protecting the public interest has forced higher costs on the shipper, carrier, and, most important of all, the consumer. The activities of the Civil Aeronautics Board similarly illustrate that regulation can mean anything but security for those who are regulated, or economy for the consumers who are the supposed benefactors. The CAB, an opponent of competition between airlines, has constantly reflected a basic anti-consumer, pro-producer bias. Because of CAB regulation "commercial aviation has been treated as a giant subsidized public utility, managerial decision-making has been impeded, consumer sovereignty frustrated, economies of scale blunted, innovations and technological efficiency in airlines operations hampered."

"Interventionistic regulation," as Mrs. Peterson thoroughly demonstrates, leaves much to be desired. It is structured against the interests of the consumer whom

its rhetoric claims it seeks to defend. Illustration after illustration is used to nail down the truism that quotas, minimum prices, subsidies, decrees, and regulations operate to the detriment of the Forgotten Man.

There is a remedy: an enlightened government and citizenry should progressively deregulate our regulated society and reenthrone the consumer in the marketplace. Only so may we provide justice, preserve freedom. 



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the Freeman

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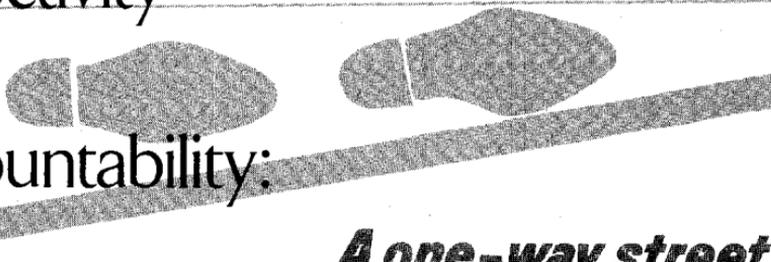
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Objectivity

and

Accountability:



A one-way street

THE TITLE for these remarks indicates that I have a bone to pick — and indeed I do. It may be sticking in your throat as well as mine and, if so, it's time to stop choking and do something.

As background, permit me to quote the first paragraph of the publisher's summary to a recent best selling book:

This well documented exposé reveals the incorporated rulers of the United States and, indeed, much of the world. It shows them to be private governments which, as effectively as legitimate public governments, decide whether large numbers of us live and die. They levy taxes in the

From remarks by Mr. Hardesty, senior vice president of Continental Oil Company, before the annual meeting of the American Mining Congress in Washington, D. C., January 17, 1972.

form of price increases, unrestrained by competition. They manipulate legitimate governments, turning nations into welfare states for corporations. And they are generally responsible only to themselves.

This book, *America, Inc.*, was on the best seller list for 17 weeks and *Time* magazine in its review described it: "in the best muck-raking tradition it is thoroughly documented to present a look at the seamy side of business."

As it happens, in a recent speech I used the term "muck-raker" and to be sure we understand what is meant by it, let me quote from the term's political originator, Theodore Roosevelt:

The men with muckrakes are often indispensable to the well-being of so-

ciety, but only if they know when to stop raking the muck and to look upward to the celestial vision above them, to the crown of worthy endeavor.

There are beautiful things above and around them and if they gradually grow to feel that the whole world is nothing but muck their power of usefulness is gone.

It would be naive to suggest that inaccurate criticism is unique to the last half of the twentieth century. It is as old as speech, but perhaps T. H. Huxley put it best when he said: "There are men to whom the satisfaction of throwing down a triumphant fallacy is as great as that which attends the discovery of a new truth."

Lack of objectivity and non-accountability seem these days to be the fashion. Too many people are "throwing down a triumphant fallacy" and others are treating it as "a new truth." To compound the felony, no one is held accountable.

The Antipreneurs

I also have a new name for the muckraker of the 1970's. If you accept "entrepreneur" as the generic term for "businessman", perhaps we can refer to these single-minded, persistent and totally myopic critics of businessmen as "*antipreneurs*." The negative prefix in "*antipreneurs*" is

quite appropriate since those who hammer away at the business community are for the most part a negative lot. They reject, and they rebuke, and they reproach, and they frequently view with alarm, but hardly ever do they come up with anything constructive.

The enemies of private industry are active today as never before, they are influential today as never before and — most disconcerting of all — they are *succeeding* today as never before.

In what ways are they succeeding? Well, for one thing, they are changing some basic attitudes in this country. They are converting the United States of America from a nation that once respected initiative and economic achievement, that honored the rags-to-riches hero, to a nation that imputes to its businessmen the most venal motives and most despicable conduct, that is coming to idolize the reverse-twist, riches-to-rags *anti-hero*.

Think I'm exaggerating? Then consider for a moment a few statistics.

In 1966, Social Research, Incorporated, conducted a study on public attitudes toward businessmen. Twenty-eight per cent of all Americans polled agreed to the statement that "big business is dangerous to our way of life." Twenty-eight per cent. A sizeable

fraction, but not nearly so sizeable as it was to become. Five years later, in 1971, the same organization asked the same question and this time the "yes" vote was forty-six per cent. In other words, nearly half of all Americans now regard you, the nation's businessmen, as a threat to their existence.

Dr. Burleigh Gardner, President of Social Research, interpreted the results of his survey as evidence that "the public will no longer rise to the defense of business against extremists or protest groups." And I would say that this was a reasonable assumption.

Another set of studies, this one conducted by Opinion Research Corporation, showed a similar pattern. Four years ago, 55 per cent of all Americans questioned by Opinion Research felt that new laws were needed to protect the consumer from unscrupulous businessmen. Two years later, a follow-up poll found that 68 per cent — or more than two-thirds — of the nation favored additional consumer protection laws. The increase in just two years was substantial — and significant.

Regardless of how much has been done to transfer control of American industry from private hands to government hands, the antipreneurs cry out for more. Could it be that our antipreneurs

will be satisfied with nothing less than de facto nationalization of industry through a system of comprehensive rules disassociating all phases of production and distribution?

The recent suggestion calling for the Federal chartering of all corporations with the government empowered to control not only hiring and firing but also the establishment of production standards and marketing procedures is no longer deemed extreme by its proponents.

What makes this pell-mell rush toward government control of industry all the more tragic is the fact that its public support stems from the widespread acceptance of slanted investigations, blatant falsehoods and political pre-judgments.

But I don't have to give you second-hand reports on the activities of the antipreneurs. Let me provide you with some personal, first-hand experiences.

The Energy Gap

Perhaps I should start by providing some background information. The United States today faces an energy gap. This is the growing disparity between the amount of energy-source materials produced in our country and the total consumed.

This energy gap was the focal

point of an unprecedented message by President Nixon to Congress last June and also of a report issued several months ago by a special committee of the National Petroleum Council, an industry board established under government guide lines to help advise the Secretary of the Interior.

The report was the result of thousands of hours of research by 200 experts in their fields, the best qualified staff people, finance specialists, government officials, and by teams of scientists and technologists.

The American Mining Congress accurately summarized the conclusions reached in the NPC Report:

1. The current natural gas shortage will increase in severity.
2. We will become increasingly dependent on imports of foreign crude oil from the eastern hemisphere.
3. The energy industries will find it difficult to raise the estimated \$374 billion in capital by 1985 to "provide for our burgeoning energy requirements."

On October 28th in Houston, Ralph Nader breezily dismissed any such situation and described the energy gap as "a promotion" of the fuel companies' advertising departments. Actually, said this self-designated authority on natural resources, there is no shortage of fuel in this country. They are

finding resources, he assured everyone, faster than the public can consume them.

Mr. Nader's headline news that there is no shortage of fuel is at complete odds with the unanimous findings of government and industry and can only serve to confuse the public. Do we or don't we have a shortage? I rely on the experts who say we do, and I charge that incomplete and inaccurate data were used as a base to demonstrate we don't.

Bias Also Showing in Halls of Congress

But it is not the consumer lobbyists alone whose bias is showing. The Halls of Congress are no less overrun today with antipreneurs — whose zeal, if nothing else — can only be admired. But I despair over their lack of accuracy, their lack of objectivity and their lack of accountability.

I cite as an irrefutable example of this situation the 1971 report of the House Subcommittee on Special Small Business Problems.

The transcript of the Subcommittee Hearings and its final report reflect the mounting and highly biased attack upon the association of oil companies with coal companies. That this bias is not based on fact is apparent from a reading of the transcript and report in which wholly unsubstan-

tiated innuendoes of monopoly and collusion abound.

A good example of the totally unsupported charges of unlawful conduct found in the report is the allegation that coal-related research is being stifled by the oil companies.

All the factual evidence submitted to the subcommittee showed that the oil companies entering the coal industry have accelerated and expanded research efforts and projects related to synthetic conversion of coal and new and safer methods of mining. There is no factual evidence to the contrary, yet the report recommends a re-assessment of research and development of the liquefaction and gasification of coal in order to eliminate conflicting priorities in the attainment of economically feasible synthetic fuel processes. The suggestion that priority conflicts exist is nothing more than gratuitous fiction.

Who's Dominating Whom?

The report repeatedly refers to the domination of the coal industry by oil companies, yet the facts show that all oil-associated coal companies together produce only about 20 per cent of the nation's coal and that Continental and Humble Oil combined own less than 2 per cent jointly of this nation's recoverable reserves of coal. Almost

65 per cent of this country's more economic deposits of coal are neither presently owned nor under lease to any coal company. "Domination" by oil companies is, again, fiction.

Finally, the report does not set forth any of the advantages — increased production, accelerated capital investments, expanded research — which have resulted from participation by natural resource companies in the coal industry.

Since the natural resource industries appear unable to obtain fair treatment from self-styled consumer protection groups, and from self-dealing politicians, it has but the executive branch of government or regulatory agencies to look to for objective evaluation of the described groundless charges. Can help be expected? I am afraid not — and let me tell you why.

Recently, Continental announced that it was voluntarily responding to an inquiry from the Federal Trade Commission regarding the FTC's desire to review Continental's acquisitions of Consolidation Coal Company. This request was made notwithstanding the fact that prior to the association of these two companies in 1966, the entire transaction was reviewed in depth by the Justice Department, and they indicated no intention to contest it. However, the fact that at this late date the Federal Trade

Commission chose to reevaluate 1966 determinations by the Department of Justice did not concern Continental nearly as much as certain recent public statements voiced by several members of the Commission's staff.

Note these dates: Due to the mass of documentation requested, Conoco did not file the requested information with the FTC until January 7, 1972. Yet, on October 28, 1971, in the course of appearing before the House Special Subcommittee on Small Business Problems in Nashville, Tennessee — Mr. Lawrence G. Meyer, Director of Policy Planning for the FTC stated to the press assembled:

"The Federal Trade Commission will file the first of three or four anti-trust actions against oil companies invading the coal industry within six months."

It's shocking to learn that three months in advance of voluntary filing relating to a review of a previously approved transaction, a high official representing the prospective prosecutor, judge and jury — the FTC — pronounces judgment. Is this objectivity? Is this impartiality? Or is this prejudgment and public pandering in the worst sense?

From Whence the Evidence?

One might inquire: Where did Mr. Meyer and his staff obtain the

evidence which they relied on to prejudge a matter of such importance to the future of the energy industries and this Nation? Not from the energy industries! Not from Continental's submission.

The answer may be found in the record of the House Subcommittee Hearings. On Page 61 of the transcript of the Hearings, Worth Rowley, an attorney representing the American Public Power Association, an association dedicated to fragmenting the coal industry, and Mr. Rayburn, Counsel to the Subcommittee, engaged in the following exchange:

Mr. Rayburn to Mr. Rowley: What did your association have to do to get the Justice Department to transfer the Consolidation Coal/Continental Oil case to the Federal Trade Commission? You make that statement on page 6.

Mr. Rowley: When we met with Assistant Attorney General McLaren in March, just to start the proceedings, I asked him if he would release it — release the matter to the Commission for investigation, and he said he would. We did not have to go to very great lengths. We just had to assemble our committee members and pop the question. Then there was a delay of about 6 weeks and a little more pressure from us, and that which had been promised came to pass.

Mr. Rayburn: What can your as-

sociation do to aid the Federal Trade Commission's investigation in this energy field? What do you envisage?

Mr. Rowley: Well, one thing we did, of course, was to turn over what information, economic insights, and legal insights we had to them, and made available certain of our members for purposes of consultation. From then on, the initiative rests with the Commission. Anything they want which we can produce we are producing.

Doesn't this exchange tell you something about the source of Mr. Meyer's evidence?

It is clear from the record that a special interest group has exerted a powerful and effective influence on the supposedly impartial activities of the Federal Trade Commission. And it is not surprising to also note that the previously mentioned best seller, *America, Inc.*, while devoting a great deal of attention to corporate influence, mentions not one word about the vast — *wholly unregulated* — power of the liberally oriented pressure groups which constantly seek to influence government.

Help From the Media?

Well, now if not consumer protection groups, the legislative branch or the regulatory agencies — who can we look to to present the real facts? The media? I think not; omissions as well as errors

provide a yeasty breeding ground for compounded error among some of the media representatives who cite unsupported allegations as truths.

For example, in a recent issue of *The New Republic* an article contains this serious charge: "High and steady profits have lured the oil companies into the field and they now control a majority of the 50 largest coal firms."

As for the fact of controlling a majority of the 50 largest coal firms, it is nothing better than a figure plucked out of the air — totally false.

As for the suggestion that "high and steady profits" have attracted oil companies into the coal business, according to information from the National Coal Association, the net income of all coal companies that had an income, less the deficit of those showing a loss, was \$105 million in 1965. In 1966, it was \$96 million. In 1969, it was \$14 million. Is that a case of "high and steady profits?" No! Steady decline? Yes!

Corporate Hurdles

If I must also exclude the media as a source of unbiased and informed reporting — what is left? I think only the industry — suspect as it may be. But even this source is limited, and that is why I charge that objectivity and ac-

countability is a one-way street.

Consider the hurdles a corporate executive must scramble over when he chooses — all too infrequently — to address himself to a major public issue!

The economics division reviews the text to make sure that all the facts are correct.

The legal division examines every word to make sure that all rules and regulations of the SEC, FTC, Justice Department and a multitude of other government agencies are complied with.

The public relations function reads every word for hidden implications or possible backlash, and makes sure that it accurately represents the situation and is consistent with company policy.

The finance group reviews the text to make sure that the interests of bankers and analysts are considered.

And finally, the pulse of the Chief Executive Officer must be taken to protect your job in the probability that non-business oriented media headlines will quote your statements out of context.

Can anything be done to improve the restrained posture of the business community vis-a-vis wholly unrestrained critics?

I'm a perennial optimist and believe that over the long haul we can reverse the current trend. Walter Lippmann recently summed

it up this way: "I've never known a time when people had so little confidence in the future. They're afraid they're not sure they are equal to it and there is a great diffidence about the future. But I don't think that is irremediable. I think even with all our size and complications and so on, if there comes a group of leaders — and there may well be — and they can strike the right note, the country will respond."

***Changing the Trend,
a Matter of Leadership***

Personally, I believe he is right and that people will respond if leaders — and I suggest the leaders of enterprise — intensify their activities to provide truth in a massive dose. Truth is the only antidote to the exaggerations of the antipreneur. If you are to conclude pessimistically that the job can't be done, then let's fold up our tents, go home and join the opposition.

So let me close with these few thoughts.

The natural resource industries of this nation are faced today with challenges which, if not resolved, endanger their continued existence. These challenges have the potential of destroying the economic ability of free enterprise to respond to society's needs. I believe that these predictions are

objective and I am willing to be held accountable for their ultimate accuracy.

My belief arises not from a fear that the business community is incapable of meeting our nation's demands for energy and other basic natural resources. Rather, it stems from a recognition that our critics, if not questioned and held accountable for false or misleading criticism, will divert business, government and the public from the pursuit of a common purpose.

Now what can we do about this state of affairs?

Come Out Fighting

First: Come out fighting for a cause you believe to be just and fair. Recently, I attended a trade association meeting to consider the response to charges of a prominent member of Congress which bore no relationship to uncontroverted facts. I was astounded that not one of many outstanding business leaders present would risk an open fight. When top level management is so afraid to stand on a platform of truth, how can you expect one of your juniors to risk a black eye?

This whole philosophy of low profile must be discarded and the business community must stand up, fight back and lead. Conditions won't turn around overnight. There will be some stitches and sutures

applied, but your critic will begin to think twice before he plays loosely with the facts once he gets nailed to the cross.

Second: Mr. Roalman, Vice President of CNA Financial Corporation, in a recent article on "Why Business Is Losing Its Case" said that, "management needs to go more often into the arena. Too often, top management confines itself to talking to its boards of directors, its peers and trade-related people. Its efforts miss, grossly, most Congressmen, legitimate consumerist-critics, young people and the bulk of the educational community." Of course it's important to communicate with our boards and industry people, but such talk alone will not wrestle with and resolve criticism being leveled in classrooms, on the streets and in the press. That's where the action is and we can no longer ignore it.

See the Reporter

Third: I'll never cease to be amazed why most business executives feel that a friendly luncheon with the publisher of a newspaper or president of a T. V. network will solve our problems. A story is created and subjective feelings expressed at the typewriter level — the reporter. Industry must open up its doors, its knowledge, its experience and facts to this young

group of Americans who are gathering and reporting news. Most of them are products of a very liberally oriented undergraduate school — an area deserving much greater time and attention — and are totally inexperienced in business affairs. Until they know more about the business community, why shouldn't they accept the preachings of *America, Inc.*? It's our job to give them a true insight into what goes on and the good things the muckraker ignores. I consider characteristic the observation of a fairly radical conservationist we hired. After observing our operations and the extent of our efforts to eliminate pollution he commented, "I would never have believed it."

Coordinate the Efforts of Business and Government

Fourth: We could spend hours talking about the social responsibility of business as it faces the future. One fact is clear — the world is changing and society has the right to expect us to lead and not follow. We must provide the catalytic tool to coordinate the efforts of business and government

as we approach tomorrow. We should not wait until a muckraker, a Federal agency or a committee of Congress prods us into defensive action. We have the ability to plan, organize and coordinate an effective means of goal attainment, whether it be social or economic. At this moment, such an effort has not been given a sufficiently high priority.

Those four suggestions are aimed at actions the business community itself can take. But perhaps the biggest turnaround in this area of objectivity and accountability would be achieved if the regulatory agencies and the Congressional committees would require our critics to operate under the same ground rules and laws of disclosure and accuracy to which we in industry are subjected. Until that goal is miraculously achieved, we must continue to make those critics accountable to the final regulatory body: public opinion. And this can only be accomplished by continuous vigilance on our part and a determination to participate rather than merely to decry. ●

Value

IDEAS ON



LIBERTY

"THE VALUE of anything is not what you paid for it, not what it cost to produce, but what you can get for it at an auction."

WILLIAM LYON PHELPS

The Nature of Modern Warfare

DAVID OSTERFELD

IN REFLECTING upon the intensity of the sentiment and the methods utilized in contemporary antiwar protests, it seems manifest that the preference is always for peace; that nobody wants war. So, one must ask why, if no one wants war, do wars continue to occur?

Perhaps wars result, not from the direct intentions of "warmongering capitalists" or any other group for that matter, but as Edmund Opitz observed, they are the "unexpected by-product," the inevitable culmination, of particular political or economic policies not intended to be aggressive and, in fact, even humanitarily motivated. What one must, therefore, attempt to discern is the generic nature of these particular policies whose underlying elements propel

us toward war. Only if we are cognizant of the processes that cause wars can we ever hope to obviate these warlike tendencies.

The crux of this thesis, however, is nearly diametrically opposed to today's prevailing ethos which attempts to explain war, more often than not, as the result of the insidious machinations of the industrial magnates or the "warmongering capitalists," or insists that by its nature the capitalist system must culminate in violent conflicts and, ultimately, its own catastrophic demise. The position here is to equate classical liberalism and capitalism with peace rather than war. Conversely, it considers the factors begetting war as endemic, not in socialism per se, but in any type of government economic intervention of which socialism is merely one form.

Mr. Osterfeld is a political science major, working toward a Master's degree in International Relations at the University of Cincinnati.

Aggressive Nationalism follows Intervention

While everyone is agreed that the cause of war is aggressive nationalism, the position here is that aggressive nationalism is the necessary outcome of government intervention. In other words, statism fosters nationalism. An in-depth study of nearly 1000 wars fought in the West from 500 B. C. to A. D. 1925 was conducted by the sociologist, Pitirim Sorokin. In contrasting the size of the casualty list to the corresponding population, he determined that the war magnitude of the first quarter of the twentieth century stood at 52 per 1,000,000 (compared with 17 for the nineteenth century) leading Sorokin to conclude that "the twentieth century will unquestionably prove to be the bloodiest and most belligerent of all the twenty-five centuries under consideration."¹

These figures are in accord with the two salient contentions of this article. If a general date can be given for the beginning of the abandonment of the principles of laissez-faire for those of government intervention and control, it would be the 1870's, highlighted by events such as Germany's appointment of Bismarck as Chan-

cellor and the emergence of the first effects of Britain's Reform Bill of 1867. Since that time, the trend has been conspicuously away from limited democracy and laissez-faire and toward government economic interference. We can say, generally, that the age of classical liberalism was the nineteenth century and that the age of statism extends from the latter part of that century to the present.

In applying Dr. Sorokin's findings to that of our historical sketch, two things we have noted become manifest. On the one hand is the relative peace and tranquility enjoyed by a world embracing largely laissez-faire principles. On the other we see, with the substitution of the deification of the state and rise of the controlled economy for the principles of classical liberalism, the concomitant rise of war and international conflict.

The question to be considered now is why government intervention — whether it be socialism or a "mixed" or welfare economy, and whether for humanitarian or insidious purposes — engenders international conflicts and war.

Domestic Ramifications of Statism

The free market is perpetually heading toward equilibrium. Wages and prices are always heading toward a point at which

¹ As quoted by Edmund Opitz, *Religion and Capitalism* (New Rochelle: Arlington House, 1970), p. 268.

the supply of laborers and of commodities equals the demand for them. Any attempt to interfere with the natural operation of market pricing is destined to engender economic imbalance, begetting in turn, international conflict.

To illustrate how this occurs, we will follow the linkage of events in any government interference. We will assume, moreover, that the intervention occurs under the most propitious circumstances; that it is, in other words, humanitarily motivated. We will say, for example, that the government has intervened in an endeavor to raise the wages of the hard-pressed or to set a minimum standard for the lowest strata of the working force. Surely, most would exclaim, this is a generous act; surely there could be nothing sinister or pernicious about such a policy; surely this would ease, not aggravate, tension. However, let's examine it more closely.

If wages are forced up, prices also may rise. Either they will rise nearly simultaneously, or the increased wages will reduce the income of the entrepreneurs, thus driving the marginal producers out of business and discouraging additional investment in those fields. This diminution in the amount of capital investment will entail a reduction in the quantity of commodities produced, thus

causing prices to rise. And the same thing is true of endeavors to hold prices down. At the lower prices, more is bought. But the reduced price discourages investment and once again forces the marginal producers out of business, thereby engendering shortages that can only be corrected by either (1) removing the controls and permitting prices to rise or (2) carrying on production through means of subsidies, which requires higher prices in other fields. Any government intervention, therefore, must inevitably create imbalances in the economy; these, in turn, tend to bring a rise in production costs and therefore in prices.

This rise in prices, moreover, must have catastrophic international ramifications. Since domestic wages and prices are artificially held above the level set by the free market, the lower prices offered by imported goods will encourage the buying of the imported commodities in preference to domestically produced goods. As long as prices domestically are maintained at bloated levels, this foreign underselling ultimately will force the domestic firms out of business. Moreover, maintaining wages domestically above their respective equilibrium levels will attract immigrants from abroad. The influx of new laborers will

either force the bloated wage level down or engender institutional mass unemployment.

The apparent solution for such problems is a policy of autarchy, viz., economic isolation, as best manifested by recourse to tariff and migration barriers, exchange controls, and the like.

International Ramifications: War

It should now be evident that a country intent upon controlling wages and prices cannot permit either imports or immigration. Such penetration would easily and obviously frustrate the planners. Statism, therefore, becomes synonymous with autarchy. With the possible exceptions of the U.S. and U.S.S.R., hardly any nation is adequately blessed with the means of self-sufficiency; statism and autarchy, therefore, must manifest themselves as a policy of aggressive nationalism. As Lionel Robbins observed: "It is really ridiculous to suppose that such a policy is possible for the majority. . . . To recommend autarchy as a general policy is to recommend war as an instrument for making autarchy possible."

It may be well to consider this passage further. In the long run, exports must always equal imports. The only reason one gives up an object in trade is to acquire that which he does not possess but

values more than what he is giving up; similarly, the only need for exports is to pay for the required imports. Thus, the greater the imports demanded for subsistence, the greater the exports required to pay for them.

A nation, in endeavoring to preserve domestic wage and price increases through recourse to tariff and migration barriers, thereby eliminates the possibility of exporting its surplus commodities and thus acquiring the foreign exchange necessary to purchase imports. There are only three ways to procure the necessities of life: (1) to produce them at home, (2) to trade for them, or (3) to go to war and take them. If a nation does not possess the kind or the necessary quantities of natural resources, and if it does not possess enough fertile agricultural land to provide for its population, then it must trade for these necessities. If it erects tariff barriers and prohibits imports — or if other nations erect tariffs that prohibit exports — a nation is then unable to trade for its necessities. Unless one subscribes to the unlikely proposition that the people of one nation will passively acquiesce in permitting either starvation or a substantial reduction in their standard of living, there is only one recourse left: war.

World Wars I and II are replete

with support for this hypothesis.² It is important to note that between the wars, for example, all European nations resorted to very strict anti-immigration laws, in most cases prohibiting immigration altogether. Every nation was eager to protect its wage level against encroachment from nations with still lower wage levels. Such policies were bound to engender serious international friction.

Moreover, like the "Sozialpolitik" of pre-1914 Germany, Hitler's Germany endeavored to raise the wage rates of its workers. In doing so, prices were forced up. Since this would have encouraged imports and thus thwarted the statist schemes, tariff barriers were established. However, the German ban on imports meant that no nation could acquire the necessary German exchange to purchase German exports. Germany, an industrial nation, was largely dependent upon foreign foodstuffs. It had to export its industrial commodities in order to obtain much of the needed food. By eliminating imports, it eliminated, in a like degree, the only means by which it could peaceably attain these necessary agricultural

and other products. So, Germany had but one alternative; it had to go to war and take them.

Rise of Aggressive Nationalism

The nineteenth century was governed largely by classical liberal principles. It was, for the most part, a peaceful century. The onslaught of war accompanied the abandonment of these principles. The question to be considered, therefore, is precisely why these policies were discarded. The answer can be perceived if one realizes that an integral element of this liberalism was democratic rule. It is imperative, however, to appreciate that this was the democracy of Tocqueville; that is, a limited democracy. Under the classical liberal ideal, the power of the state — the apparatus of compulsion and control — was severely circumscribed. The crux of this concept was the recognition of individual rights; the sole function of the state was simply the suppression of attempts by individuals to suppress other individuals, that is, to provide a secure and peaceful framework to facilitate social cooperation. While the means for determining who held the reins of government was to be decided democratically, the power and functions of government were significantly curtailed; the democracy of the classical liberal

² Easily the most lucid and cogent delineation of this position is to be found in Ludwig von Mises' *Omnipotent Government* (New Rochelle: Arlington House, 1969).

tradition was a strictly limited concept.

Before this ideal could be fully implemented, it began, like most ideals, to be abused. As suffrage was extended — which was not necessarily inimical in itself — this democracy became ever less limited. In exchange for votes, the politicians began to promise more and more. The function of the state, accordingly, could no longer be restricted to the protection of the life, liberty, and property of its citizens. The interventionist state thus began to supplant the laissez-faire state, even before the latter had been fully established. These statist measures were, in many cases, humanitarily motivated, that is, aiding the poor, assistance for the jobless, and so on. Nevertheless, the inevitable corollary of this proliferation of government intervention was the precipitation of aggressive nationalism. It was the inevitable result of an ethos that sanctioned the extension of government into all phases of life. It was, in short, the emergence of the total state. Whether it came as autocracy or as the “despotism of the majority” was irrelevant.

Significance of National Boundaries

In a planned, autarchic economy, territorial boundaries are of supreme importance. An isolated

nation must possess all of its required natural resources. The larger the area under control, the better it can provide for its wants and needs. Yet, no country is blessed with a position of complete economic self-sufficiency. Autarchy, accordingly, must manifest itself in aggressive nationalism, in the desire of every country for the control of ever larger areas. What is required to make peace viable, therefore, is a lessening of the significance of boundaries.

This could only be attained, however, if the governments of the world were confined in their activities to protecting the life, liberty, and property of their citizens. Only then would international boundaries lose their significance. It would then make no difference whether a nation were large or small; its citizens could derive no benefit or sustain any damage from the extension or loss of territory. Under a laissez-faire system, where all transactions would take place between individuals unimpeded by government, the size of a nation would not matter. No one would be aided or hurt by a transfer of territorial jurisdiction, since all property would be held by individuals and all transactions would take place between individuals.

If the primacy of private property and free trade were the rule,

at least one of the major causes of war would be all but eliminated. No one would be artificially or forcibly excluded, by tariff or immigration barriers, from acquiring any needed goods or natural resources. No one would be penalized for having been born a foreigner or of a different race or in a country of limited natural resources. Under these terms, then, at least one of the causes of war would be effectively ameliorated, if not eliminated entirely.

Conclusion

Statism, in so far as it begets autarchy, engenders international antagonisms for which no peaceful solution can be found within the context of our contemporary politico-economic ethos. These antagonisms can be relieved only by a change in ideologies. What is needed to make peace viable is the acceptance of the principles of limited democracy and its economic corollary, the free market. Only by

such an advance can we ever hope to surmount at least one of the underlying factors precipitating international conflicts and war.

If this analysis possesses any cogency at all, then at least one thing is surely manifest: all the antiwar marches, protests, demonstrations, and peace songs from here to China cannot improve the situation one iota. While they may be fun, they are nevertheless futile. They are futile because they are premised upon a misunderstanding of war. Yet, wars continue to occur. Accordingly, war will not be ameliorated, much less abolished, by the mere utterance of platitudes or by shock tactics designed to scare us into peace. Only the elimination of its root cause can greatly diminish the threat of war. Such a policy, to repeat, entails a change in attitude, a policy impossible until the leaders and the people of the world are prepared to accept it. ☉

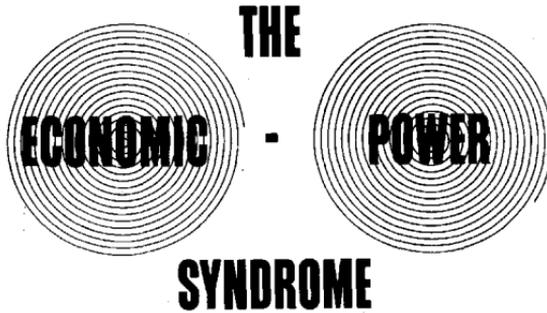
To Discipline a Nation

IDEAS ON



LIBERTY

WHILE AN INDIVIDUAL peacebreaker can easily be punished and isolated in a penitentiary, a collectivist nation conducting policies of economic nationalism can be disciplined and subjugated only through a full-scale war and subsequent occupation of its territory. To discipline a nation that refuses to embrace the doctrines of freedom and free enterprise is an endless and hopeless task.



THE
ECONOMIC - POWER
SYNDROME

NATURE goes its own way, following laws of its own, shaped by forces in which human action—passion, will, thought—is irrelevant. Man's laws and man's societies are something else. The works of Ludwig von Mises, summed up in the monumental *Human Action*, demonstrate more powerfully than those of any other writer the role played by human will and human thought in the universe which affects and is affected by human action.

Not everything is possible to human action. Nature goes its own way. In the generous realm of the possible, however, man's laws, his rationally directed values, make a difference; perhaps *the* difference. As a part of nature we

share the universal conatus, the striving to *be*. But our conatus is generic and undefined; we are more than the birds and the bees, or perhaps less, but different, anyway. And our intelligence is correspondingly different. We can kill ourselves, and we can err.

More strangely still, we are capable through intellectual error of killing ourselves by policies which we believe necessary to our survival. I believe that what I call here the “economic-power syndrome” constitutes one of the most destructive combinations of moral and intellectual error that mankind has ever suffered, and I propose to disperse this dark syndrome with the aid of one of Professor Mises' most brilliant contributions to the formulation of sound social policy: his insistence upon a central role for the concept of consumer sovereignty.

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Anti-Business Bias in the U.S.

For a hundred years, more or less, the policies of the United States have had a characteristically anti-business thrust, sometimes compelled, sometimes conduced, by dominant voices of popular opinion. For public opinion in this country has always been infected to a degree by dread, distrust, even hatred of "big business." Thus Mr. Nader and his raiders, J. K. Galbraith, Vance Packard, even Marcuse, are far from representing a new attitude. They express the same fear, the same suspicion, that brought about the Interstate Commerce Act and the Sherman Act in the nineteenth century and the mountain of restrictive legislation and court decisions of this century. In a word, what they fear and suspect is *economic power*.

The populist antipathy to economic power in general and to big business in particular has not swept all before it. Ambivalence among the populists themselves, the achievements of American big business, and a persistent minority in favor of liberty and its political corollary, laissez-faire, have also influenced our public policies. Politicians and bureaucrats have known, too, that they could have \$300 billion to spend each year only if the economy produced \$700 billion to \$1 trillion a year — an

unattainable result without large-scale economic activity. Hence they have been astute over the years to balance the Sherman Act and other anti-business laws with appropriations small enough to guard against absolute frustration of the need of businessmen for flexibility and freedom. Likewise they have been careful to mitigate populist insistence upon confiscatory income taxation with many loopholes, and with taxes upon capital gains modest enough to guarantee the continued growth of capital and the survival of the capital markets upon which the progress and well-being of the American economy rest.

However, the dominant trend in the public policies of this country has nevertheless been toward ever-increasing regulation of business. Congress and the state legislatures year by year add to the burden of restrictive legislation. The courts, especially the Supreme Court of the United States, zestfully enforce far beyond its letter and spirit all legislation limiting the freedom of businessmen; at the same time, they read virtually out of existence laws, doctrines, and principles which would tend to preserve to businessmen the rights and the freedom recognized in the classic common law.

In so deciding, the courts leave little room for doubt of the phil-

osophy underlying their decisions. Whether we speak of antitrust or labor-law decisions, or even of private-law decisions in which the common-law courts take sides against business, the same theme prevails: *Economic Power* — it is as much to be dreaded, and therefore to be confined, apparently, as the threat of conquest by enemies from abroad or of chaos by criminals from within.

Such views and policies, the works of Ludwig von Mises demonstrate, are full of disastrous fallacies. The person who follows Mises' argument emerges, on the contrary, with the conclusions that, far from being an object properly of fear and doom, economic power is in all ways good and wholesome; that there are few, if any, capabilities at once so innocent of social harm and so productive of social benefit; and that the fear of economic power which now threatens to tie up the economy in knots is the product of ignorance, confusion, and superstition.

The Nature of Power

Much of the confusion traces to conceptual complexity in the term "power" itself. The word "power," integrally associated with the problem of causation, refers basically to the capability of affecting reality, of bringing about effects,

changes, results. Some results are brought about by strictly individual action, as when primitive man fells a tree with his bare hands or with a tool fashioned by himself. His will, his act, his *power* is the only human one involved there. In society, things are different. In society, all *power*, whether of the economic or political variety, rests upon cooperation. This is true of the capacity of a criminal to compel a change in the location of money, from his victim's pocket to his own. Without the cooperation of all those sectors of society which feed, clothe, and arm him, the criminal is helpless to bring about the result he seeks — unless of course he does it with no aids other than those available to the bushman, in which case his power analyzes out as the same, equally modest and precarious.

In society, and especially in respect of operations of a certain scale, power of all kinds, to repeat, rests upon cooperative activity; and, more than that, cooperative activity resulting from a coincidence of opinion. Although he was referring to only governmental or political power, David Hume was correct generally in relating power to opinion. One way or another, directly or indirectly, both economic and political power are founded in opinion.

Ortega y Gasset thought it nec-

essary, in *The Revolt of the Masses*, to distinguish in his discussion of governmental power between political aggression and political rule. Observing the plain fact that Napoleon's conquest of Spain obviously did not accord with the opinion of the Spanish people, he said: "It is necessary to distinguish between a process of aggression and a state of rule." The distinction, however, is both unnecessary and misleading; Napoleon could subjugate Spain only because its whole people, relative to the people of France from whom Napoleon derived his power, amounted to a minority. The same situation prevails between the people of Russia and the people of Czechoslovakia today. The power of Russia to quell the Czech revolt was founded in the opinion of the Russian people, or at any rate of the ruling majority of Russians, that it was better to support their government in its domination of the Czechs than to withhold such support. I dare say that the same phenomena of majority rule determined the events in this country in the period 1861-65. The opinion of Northerners prevailed over the opinion of Southerners because there were more of them and they had more hardware.

It is important to observe the comprehensiveness and uniformity of the relationship between opin-

ion and power. *Within* Spain during the Napoleonic wars, or Czechoslovakia today, or the Southern States during the War between the States, the situation was not different in kind from the situation *between* those countries and the aggressors who subjugated them. *Within* each, the government, resting upon the opinion of the majority, similarly subjugated nonconsenting internal minorities. The government of Napoleon had to deal with recalcitrants not only in Spain but also in France; and the same was true within the Northern States in 1861-65 and is true today within Russia.

The internal government of any state, in brief, while resting as long as it lasts upon the opinion of the consenting majority, *imposes* its will by force upon a nonconsenting minority. *That is the specific nature of government power.*

I have had to emphasize the point because it is common in our time to overlook this feature of political power, and because, in overlooking this obvious feature, much of the confusion relating to economic power rests.

The sharp difference between economic power and political power does not reside in their respective foundations; both kinds of power rest in opinion. The significant difference between economic and po-

litical power rests in the *purely* consensual character of economic power as contrasted to the only partly consensual character of political power. For no businessman, *qua* businessman, can ever compel a nonconsenting minority to deal with him. It is the very essence of government, however, to impose the will of the majority upon the nonconsenting minority. The difference, then, lies not in the foundations of economic power and political power but in their respective effects and modes of operation.

The productive power of any business has its beginning in the man or men who found it and who are able to convince others to invest their capital and their talents in it. However, the business succeeds only if the consumers approve its production. In a market economy there is no way for a firm to compel anyone to deal with it or to purchase its goods and services. As Ludwig von Mises has said so often, the consumers daily vote for and against the products of American business. Those firms which gain the patronage of the consumers prosper; those which do not, lose ground. In rewarding those who best serve the consumers, the profit system constantly insures that current allocation of resources which best suits the current wishes of the community. It expands the assets of those firms

endorsed by public opinion; it enhances their capacity to bid in the market for other factors of production and thus to increase their economic power — by which I mean their power to produce.

The secret of the so-called ambivalence of American public policy toward big business resides in the phenomena just described. On the one side, mainly from “intellectuals,” we hear much about the abuses, the evils, the dark powers of big business to destroy small business, to exploit workers, and to impose its will upon consumers. But these charges, however often made, and however well publicized, have only a limited effect, frequently no more than the crackling of thorns under a pot. They resound hollowly against the prodigious fact that business grows big only because and to the extent that public opinion favors it with its voluntary purchases. More than that, if the polls are correct, Americans favor and admire big business in greater numbers than they do any other institution, including the government. However, since the anti-business opinion has an effect also, we emerge with fragmentary, inconsistent, and ambivalent policies.

It is impossible to understand properly either the meaning of economic power or the real standing of business in the community

without a full and accurate grasp of this fact of consumer sovereignty in the market economy. The late Mr. Adolph A. Berle, in many ways a learned man and a keen observer of contemporary society, illustrated in his well-known writings a characteristic error, tracing to inadequate grasp of consumer sovereignty. Although year by year he grew more moderate in his criticisms of big business, yet, even in his latest book, *Power* (1969) he continued to hold to a confused view of economic power. He attributed to that power a species of capability, a capacity for decision and action which it simply does not possess. He spoke as though big business had unlimited power in the disposition of resources, the direction of investment, choice of product, amount of production, and level of price. From others, such as J. K. Galbraith, such a blunder might be expected. But Mr. Berle was a different case: he frequently displayed a genuine understanding of consumer sovereignty. For example, in his latest book, he had this to say:

In economic life, every decision made affects, in some way, every life in the modern world. This is the peculiar quality of economics. The impact of economic-power decisions may be imperceptible or great, but it is always there. The woman who chose

nylon stockings instead of silk (a choice she still has, though nylon has clearly won the campaign) affected the lives of silk growers in Japan, China, and Southeast Asia.

Consumer Power

Once one grasps the significance of the female preference for nylon hosiery, it is no longer possible to mistake the locus of ultimate power. The Dupont Company has power, of course, but it is only the same kind of power to propose, to offer, that everyone else has, in business and out. Business proposes, the consumer disposes. If she disposes favorably the business prospers and may expand. If not, the business must mend its ways or retire from the field.

The business must do more than propose an attractive product. It must have the capability to deliver that product at an attractive price which still exceeds production costs. When it demonstrates *that* capability, it demonstrates at the same time its social qualification. Profitability and social utility are two names for the same thing. The business that makes losses has abused the society in which it operates; the business that makes profits has served it; and, remarkable as it may seem, it follows that the higher the profit, the greater the service.

Much current literature views the word "profit" and its referent

in reality as downright obscene. Nevertheless, the facts are what they are. The firm that must sell below cost and which, therefore, experiences losses rather than profits, has done society in, and deserves to be penalized rather than praised. It has directed factors of production improperly, from the point of view of consumers and society as a whole. It has engaged in a course of production the full costs of which the consumers are unwilling to pay. In refusing to pay those full costs and thus imposing losses upon the incompetent producer, the sovereign consumers redirect production in a manner more to their liking.

Literature of the "New Left"

Current "new-left" literature — faithful to its mentors, Messrs. Galbraith, Packard, Marx, and Marcuse — rejects the foregoing analysis. It insists that economic power involves a form of compulsion even more objectionable than the physical compulsion exerted by gangsters or by the armed forces of the state. Professor Mises' principle of consumer sovereignty, they say, is a pure myth; the fact is that the concentrations of economic power in big business compel the consumers by way of advertising to want certain things and to fulfill those wants in ways

which serve the interests of big business, not of the people.

No conscious human being with normal sensory equipment can fairly dismiss these charges out of hand. All media of communication bombard us constantly with commercial exhortations, appealing to every aspect of human nature, from the most elemental to the most sophisticated, from the subliminal to the most obvious and coarse. There can be no doubt about it. Advertising has us all in siege. And its objectives are among others to expand, shape, and direct our desires.

The *question*, however, is whether, in what circumstances, and to what extent advertising succeeds. It will not do, in seeking an answer, to confine our attention to the claims of advertising agencies and Messrs. Galbraith, et al. They beg the question; they do not resolve it.

Condensed to its meaningful point, the charge is that, by advertising, big business substitutes *its* will for that of the consumers, thus making the principle of consumer sovereignty a *mere* myth.

The fundamental weakness in the Galbraithian thesis is its disregard of certain evident aspects of human nature. For better or for worse, mankind is so constituted as to preclude the substitution of one man's will for an-

other's, except fragmentarily and temporarily, and then only by brute force, not by any other means. No matter how often persons may be bombarded by an appeal to buy Pepsodent, or Colgate, or Crest, the actual decisions when they stand at the counter as to whether to buy toothpaste at all and, if so, which brand, must be made inside each person's mind. In all but the autonomous functions of the body, human beings must act, must choose, as Mises says, and their choices, their actions, proceed necessarily from within. Our limbs and organs are all inner-directed.

Some weight might justly be accorded the Galbraithian thesis in a socialist society, where control of all production and all media of communication were concentrated in the same men who controlled also the physical power of society. In such a society the faculty of choice would still remain, but it would, so to speak, lack traction. It would have nowhere to go, like an automobile with bald tires on slick ice. The government control of all media, from the schools to television, would come close to brainwashing the public, and the lack of variety in consumer goods would carry forward the demolition of practical choice. Consumers would still retain their indestructible humanity; notwith-

standing the brainwashing attempts, they would still have wants and still have to make their own choices; but they would have little scope to exercise their power or faculty of choice.

Even so, however, traces of the sovereignty which is fully theirs in market economies would remain also in socialist societies, for so long as man is man, he must choose if he is to live. So, in Russia today, there are shortages in some lines of consumer goods and surpluses in others. To that extent, the consumer remains king, even in Russia, though only in rags.

In a market economy, the Galbraithian thesis makes no sense at all. The characteristic features of a market economy all tend toward providing traction for the faculty of subjective choice. Authority to use physical force is confined to the state. The media of communication are free. The consumer is encouraged on all sides to choose from a vast array of competing goods and services. American Motors, Chrysler, Ford, and General Motors must not only compete with each other; they have also to contend with Volkswagen, Mercedes-Benz, Toyota, and Fiat. And all the motor companies must compete with the airlines, the bus lines, the railroads, the subway systems, as well as the

firms which encourage consumers to stay at home or enjoy themselves in their gardens. Even American Telephone and Telegraph competes. It urges us to call, not write. The much maligned soap manufacturers have only one thing to say: "*Buy our product.*"

Ultimately, when one thinks things through, that is the basic message of all commercial advertising.

Advertising agencies claim, quite rightly, I believe (on the whole at any rate), a special ability to bring products and services to the attention of consumers. Their job is to acquaint the public with the fact that such and such a product exists and to urge that it be given a try. From there on, the consumer and the product must fend for themselves. The product must make good on the claim made for it. Thus understood, the specific function of advertising is to promote competition. Any other claim for it, whether made by advertising men or Messrs. Galbraith et al., is mere puffing.

If big business and its advertising had the power attributed to it by Messrs. Galbraith et al., the avidity of men and women for material goods would be a new phenomenon, observable in human history for the first time only in the last fifty years or so. After

all, big business is a new phenomenon in the world, and advertising agencies are still newer. But is it true that men and women have grown remarkably desirous only in the last fifty or hundred years? The question answers itself.

On the first page of the first history book ever written, *The History of Herodotus*, recounting the wars between the Greeks and the Persians, the author reports that "according to Persians best informed in history, the Phoenicians began the quarrel." How was that? Herodotus continues:

They landed at many places on the coast, and among the rest at Argos . . . Here they exposed their merchandise, and traded with the natives for five or six days; at the end of which time . . . there came down to the beach a number of women, and among them the daughter of the king. . . . The women were standing by the stern of the ship intent upon their purchases, when the Phoenicians, with a general shout, rushed upon them. The greater part made their escape, but some were seized and carried off. . . .

Anyone who has ever had the misfortune to be in Macy's on a sales day will know that, whatever Galbraith says about it, big business and advertising have not changed women very much in the intervening two thousand four hundred years.

Nor men, either. Aristotle wrote only for men, it seems, in the *Nichomachean Ethics*. In discussing and urging the virtue of temperance, he admonished against the development of voluptuary habits. More to the point, he focused upon the inner sources of luxurious desires. "It is absurd," he said, "to make external circumstances responsible, and not oneself, as being easily caught by such attractions." There was hardly any business around at all in Ancient Greece, let alone big business, and B.B.D. & O. were still in the far off future. Such too was the case in 17th century England, when John Locke took note of the insatiable desires of mankind for material goods and services. He said:

We are seldom at ease, and free enough from the solicitation of our natural or adopted desires, but a constant succession of uneasiness out of that stock which natural wants or acquired habits have heaped up, take the will in their turns; and no sooner is one action dispatched, which by such a determination of the will we are set upon, but another uneasiness is ready to set us on work.

The Galbraithian-SDS thesis is out of touch, not only with the most profound and persistent realities of human nature, but also with the available statistical evidence concerning the use of com-

mercial advertising. Far from establishing the contention that big, concentrated business to some marked extent uses advertising to warp consumer desires, recent researchers reveal: (1) that there is no significant correlation between industrial concentration and advertising; and (2) that there is indeed a contrary tendency, with advertising expenditures tending to rise as industrial concentration decreases.

Sources of Misunderstanding

I must deal more briefly with the two remaining major sources of misunderstanding which make up the "economic-power" syndrome — (1) the belief that economic power can buy political power or that, at any rate, (2) economic power can shape the political opinions of the community more or less at will.

The first of these can be dispatched fairly readily. Certainly it is true that public servants at every level of government are "for sale," as every person is, for that matter. The question is, however, in what medium of exchange do they do business? In contemporary representative government, the medium of exchange is votes. While the wealthy and the big businessmen could and do bid vigorously in the medium of exchange which they are well supplied with,

namely, money, the sad fact from their point of view is that they are not very extensively supplied with votes — and votes are what count. If Tocqueville was correct, this situation has prevailed throughout American history. Writing in 1840 or so about America, he said: "At the present day the more affluent classes of society have no influence in political affairs; and wealth far from conferring a right, is rather a cause of unpopularity than a means of attaining power."

One may argue that while dollars are not convertible into gold, they are convertible into votes, and this is to some extent correct. But only to about the same extent as it would be correct to point out that dollars can buy officials directly. In both cases dollar convertibility is only marginal: a drunken Bowery derelict will sell his vote for a bottle of whiskey; a faithless official will take a bribe here and there.

But the wealthy and the big businessmen are unable to buy *public policies* with their dollars. If they seek tariffs, exclusive franchises, import quotas, and other such measures, they do not succeed unless the measures they seek coincide with public opinion. Only public opinion to the effect that such policies are good for the

country on the whole will secure their adoption. And when the public is convinced of the merits of a particular policy, dollars are incapable of affecting the result one way or another.

Subsidies for the poor, for commuters, for farmers, for the maritime industry, and pretty soon for everybody else in the country — all these are traded by politicians in return for *votes, not in return for dollars*. When industry representatives go to Washington for tariffs and import quotas, they are told to return only when they can show some political currency. If they return with trade-union representatives, men who are thought to command votes, and if the union men join in seeking protectionist policies, the tariffs and quotas are forthcoming; otherwise not.

The current situation with respect to tax exemption for interest on municipal bonds makes the point rather well. By and large such bonds are purchased by more or less wealthy people. But if *their* interest were to be consulted exclusively, there is no doubt that the tax exemption would be removed. The exemption continues because the citizens in local communities, desiring local governmental services, such as public schools, insist upon it. And they insist upon it because, in their (ultimately incorrect) opinion, tax-

exempt municipal bonds reduce for the taxpayers the costs of the services in question.

For the disinterested observer, his reason unimpaired by passion and prejudice, there is no need to go on at length with this point. It is sufficient to notice that over the past hundred years in this country, the steady trend of legislation has been against the wealthy and the successful businesses. David Hume was correct in stating as the first principle of government that all public policies are founded in opinion. On the other hand, in declaring that government in capitalist countries serves exclusively the interests of the wealthy, Karl Marx was as wrong as he was when he said that profits come exclusively from the exploitation of labor and that increasing poverty for the masses is the inevitable consequence under capitalism.

An Argument Omitted

Strangely enough, the victims of the economic-power syndrome have left almost completely undeveloped an argument which, if they could sustain it, would carry the day for them. They *could* be arguing that, while it is true that all government rests upon opinion — on political votes rather than dollars — the wealthy and the big businessmen control government

by controlling the political and social ideas of the citizenry. Why is this argument so rarely made?

I offer as a possible answer the fact that the argument is so patently at odds with reality. If we confine ourselves to reality we cannot help observing a tremendous disproportion in all the areas of intellectual communication and opinion-forming. A vast majority of instructional personnel from grade-school through graduate school roams somewhere left of center. Most newspaper columnists, moreover, consider themselves leftist-liberals and spend little time vaunting the virtues of capitalism. For every best-selling author on the right, there are at least ten on the left. Foundations established by the wealthy spend infinitely greater sums promoting the welfare state than they do in defending capitalism. Professor Paul Samuelson has become a wealthy man as author of an economic text sympathetic with the welfare state, if not with socialism. Galbraith's books become automatic best sellers. The works of Ludwig von Mises, the most powerful protagonist of capitalism in print, do not sell in sufficient quantities to feed him.

Let us now approach the problem more systematically. The contention that economic power translates into political power by way

of political indoctrination of the masses would have to establish, in the first place, that the wealthy and the big businessmen are themselves uniform exponents of a particular policy or set of policies, for the first requirement in any indoctrination is a doctrine. But the argument then stumbles at the threshold. The one outstanding and apparent fact about the wealthy and the big businessmen and the institutions they found and support is ideological diversity. If we place H. L. Hunt on the right, as is customary these days, where shall we place the Rockefellers, the Kennedys, the Fords? And should we place all the Rockefellers in the same category? Where exactly would you place the Kennedys, father and sons?

There is no common ideology among the wealthy and the big businessmen, just as there is no common ideology among the masses. There are only vague, half-formed, often contradictory opinions, which veer one way now and another way again. They spend their money accordingly. The foundations and institutions attacking capitalism and free enterprise and the profit system seem to have plenty of money. As far as I have been able to tell, the few foundations and colleges which promote free enterprise rarely, if ever, are wealthy.

Recapitulation

I have tried to make three points:

1. Economic power, like political power, rests upon favorable opinion, the sovereign opinion of consumers; unlike political power, however, it produces wealth in the form of goods and services and has no compulsory capabilities. The consumers reward with profits those firms which serve the community and penalize with losses those firms which do not.

2. There is no way at all in a market economy for business to substitute its will for that of the consumers in respect of demand for goods and services; it proposes, the consumer disposes; the contention that advertising can supplant the will or implant desires in consumers conflicts with everything we know about human nature as well as with the external facts of life in the market economy.

3. Economic power is not convertible into political power. The medium of exchange owned by the possessors of economic power is money; the medium of exchange in politics is the vote. Dollars are produced by economic capability; votes flow in accordance with political opinion. Unless the holders of dollars represent interests which coincide with the independently derived opinions of the voters, the interests of the wealthy are doomed.

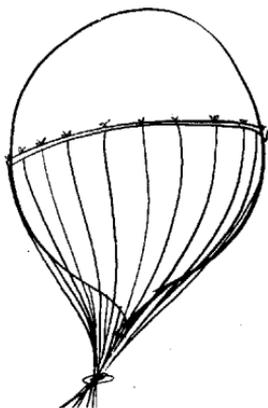
I have in this brief paper failed to deal with a number of features of the economic-power syndrome: the relations between big business and small business, the relations between business and employees, the Jeffersonian ideal of a society composed of farmers and small tradesmen, the notion that the managerial revolution heralded by Berle and Means and by Burnham has somehow incapacitated big business for the service of the community. With respect to these I can say only that there was not space. My silence on these points is not to be taken as an admission of their strength. On the contrary, I believe it a simple matter, on the basis of the points which I have dealt with, to demonstrate equal weaknesses in those which I have not had the opportunity to discuss here.

I wish to say but one thing more, and to quote a statement which sums up what I have had to say here. First, I would not have my remarks interpreted as an apologia for the wealthy or for big business as such. My main interest has been to clarify thought on the subject of economic power. Secondarily, my interest is in consumer sovereignty and its principal servant: the system of free competition emerging from those two common-law institutions, pri-

vate property and freedom of contract. Ludwig von Mises has summed up a large part of what I have been trying to say. As he puts it:

The rich, the owners of the already operating plants have no particular class interest in the maintenance of free competition. They are opposed to confiscation and expropriation of their fortunes, but their vested interests are rather in favor of measures preventing newcomers from challenging their position. Those fighting for free enterprise and free competition do not defend the interests of those rich today. They want a free hand left to unknown men who will be the entrepreneurs of tomorrow and whose ingenuity will make the life of coming generations more agreeable. They want the way left open to further economic improvements. They are the spokesmen of progress. . . .

It is manifestly contrary to the interest of the consumers to prevent the most efficient entrepreneurs from expanding the sphere of their activities up to the limit to which the public approves of their conduct of business by buying their products. Here again, the issue is who should be supreme, the consumers or the government? In the unhampered market the behavior of consumers, their buying or abstention from buying, ultimately determines each individual's income and wealth. Should one vest in the government the power to overrule the consumer's choices? 



The Ballooning Welfare State

HENRY HAZLITT

MOST of the self-styled liberals of the present day would be astonished to learn that the father of the welfare state that they so much admire was none other than the fervent antiliberal and advocate of "blood and iron", Otto von Bismarck.

"He was the first statesman in Europe to devise a comprehensive scheme of social security, offering the worker insurance against accident, sickness, and old age. This Bismarckian 'socialism' later became a model for every other country in Europe. It represented in part the paternalistic function of the state which Bismarck, as a conservative, had always held."¹

Bismarck's scheme of compulsory insurance went into effect in

1883, and was soon even baptized by German journalists as *der Wohlfahrtsstaat*.

The example of Germany was followed by Austria in 1888 and by Hungary in 1891.

It was not till 1912 that compulsory health insurance was introduced in Great Britain, under Lloyd George's National Insurance Act of 1911. In 1925 came contributory old-age, widows' and orphans' pensions. Unemployment insurance was put on a fresh basis in the Unemployment Act of 1934, which set up at the same time a national system of unemployment assistance. In 1945 the Family Allowance Act was passed. It provided for payment to every family, rich or poor, of an allowance for each child, other than the eldest. In 1946 came the National Health Service Act, offering free medical services and medicines to everyone.

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Then, in 1948, as a result of the report of Sir William Beveridge, the whole system of compulsory contributions for social insurance was immensely extended, with wider unemployment benefits, sickness benefits, maternity benefits, widows' benefits, guardians' allowances, retirement pensions, and death grants.

The continuous expansion of "social security" and welfare services in Great Britain is typical of what has happened in most other countries in the Western world over the last half century. The broad pattern has been remarkably similar: a multitude of "insurance" programs, supported in part by compulsory contributions and in part by general tax funds, ostensibly protecting everyone against the hazards of poverty, unemployment, accident, sickness, old age, malnutrition, "substandard" housing, or almost any other imaginable lack; programs expanding year by year in the number of contingencies covered, in the number of beneficiaries under each program, in the size of individual benefits paid, and of course in the total financial burden imposed.

So, year by year, the tendency has been for every working person to pay a higher percentage of his earned income either for his own compulsory "insurance" or for the

support of others. Year by year, also, the total burden of taxes tends to go up, both absolutely and proportionately. But direct and acknowledged taxes have tended to go up less than total expenditures. This has led to chronic deficits that are met by printing more irredeemable paper money, and so to the almost universal chronic inflation that marks the present age.

Growth of Welfare Programs in the U.S. since 1935

Let us look at the ballooning welfare state in detail as it has developed in our own country.

We may begin with President Franklin D. Roosevelt's 1935 message to Congress in which he declared: "The Federal Government must and shall quit this business of relief. . . . Continued dependence upon relief induces a spiritual and moral disintegration, fundamentally destructive to the national fiber."

The contention was then made that, if unemployment and old-age "insurance" were put into effect, poverty and distress would be relieved by contributory programs that did not destroy the incentives and self-respect of the recipients. Thus relief could gradually be tapered off to negligible levels.

The Social Security Act became law on August 4, 1935.

Let us see first of all what happened to the old-age provisions of that act. There have been constant additions and expansions of benefits. The act was overhauled as early as 1939. Coverage was broadened substantially in 1950. In 1952, 1954, 1956, 1958 and 1960 (note the correspondence with years of Congressional elections) there were further liberalizations of coverage or benefits. The 1965 amendments added Medicare for some 20 million beneficiaries. The 1967 amendments, among other liberalizations, increased payments to the 24 million beneficiaries by an average of 13 per cent and raised minimum benefits 25 per cent. In 1969, retirement and survivors benefits were raised again by about 15 per cent, effective January 1, 1970.

(It is sometimes argued that these benefit increases from 1950 to 1970 were necessary to keep pace with increases in living costs. Actually, the increases in individual monthly benefits totaled 83 per cent, compared with a 51.3 per cent increase in consumer prices over the same period.)

From \$60 to \$936

From 1937 to 1950, Social Security was financed by a combined tax rate of only 2 per cent on

both employer and employee (1 per cent each) on wages up to \$3,000 a year. Since then both the rates and the maximum wage-base have been increased every few years. In 1972 the combined tax rate is 10.4 per cent (5.2 per cent on each the employer and the employee) on a maximum wage-base that has been raised to \$9,000. The result is that whereas the maximum annual payment up to 1950 was only \$60, it has risen to \$936.

In 1947, payroll tax collections for old age and survivors insurance amounted to \$1.6 billion; by 1970, these taxes had increased to \$39.7 billion.

At the beginning, the Social Security program was sold to the American public as a form of old-age "insurance." The taxes were represented as the "premiums" paid for this insurance. Everybody who was getting benefits was assured that he could accept these with no loss of "dignity", because he was "only getting what he had paid for."

This was never true, even at the beginning, and has become less true year by year. The low-wage receivers have always been paid much more in proportion to their "premiums" than the higher-wage receivers. The disparity has been increased with succeeding revisions of the act. The typical bene-

ficiary even today is receiving benefits worth about five times the value of the payroll taxes he and his employer paid in.²

A Bad Mixture of Insurance and Handouts

The OASDI program has developed into a mixed system of insurance and welfare handouts, with the welfare element getting constantly larger. It is today a bad system judged either as insurance or as welfare. On the one hand, benefits in excess of the amounts they paid for are being given, in some cases, to persons who are not in need of welfare. On the other hand, persons who are in fact receiving welfare handouts are being taught to believe that they are getting only "earned" insurance. Obviously, welfare programs can be expanded even faster than otherwise if they are masked as "contributory insurance" programs.

Our concern here, however, is not with the defects of the OASDI program but primarily with its rate of growth. In 1947, social security benefit payments covered only old-age and survivors insurance and amounted to less than half a billion dollars. In 1956, disability insurance was added, and in 1965, health insurance. In 1970, these payments reached about \$39 billion.

Unemployment Insurance

Now, let us look at unemployment insurance. This program was also set up under the Social Security Act of 1935. But whereas old-age insurance was on a strictly national basis, unemployment insurance was instituted on a state-by-state basis within the broad scope of certain Federal criteria.

While provisions have differed in each of the fifty states, unemployment insurance has shown the same chronic growth tendency as old-age benefits. In 1937, the states typically required periods of two or three weeks before any benefits were paid. The theory behind this was that a man just out of employment would have at least some minimum savings; that the state would be given time to determine his benefit rights; and that the benefit funds should be conserved for more serious contingencies by reducing or eliminating payments for short periods of unemployment. Now the waiting period has been reduced to only one week, and in some states does not exist at all.

In contrast with the \$15 to \$18 weekly benefit ceilings in various states in 1940, the maximums now range between \$40 and \$86 a week, exclusive of dependents' allowances in some states.

Reflecting both legislated increases and rising wage levels, na-

tionwide average weekly benefit payments increased from \$10.56 in 1940 to \$57.72 in 1971. Even after allowing for higher consumer prices, the real increase in purchasing power of these average benefits was 63 per cent, and they continue to increase much faster than either wages or prices. For example, from its average in 1969, the weekly payment in June, 1971, had increased 25 per cent as compared to an 8 per cent increase in wages and an 11 per cent increase in prices.

Fulltime Benefits

As of 1971, state legislation had increased the maximum duration of unemployment benefits from the predominantly prevailing 16-week level in 1940 to 26 weeks in 41 states — and of longer duration ranging to 39 weeks in the other states. In December, 1971, Congress voted to provide 13 weeks additional benefits in states with sustained unemployment rates of more than 6½ per cent. This made it possible for workers in such eligible areas to draw such benefits up to a total of 52 consecutive weeks.

Total annual benefit payments increased from about one-half billion dollars in 1940 to \$3.8 billion in 1970 — more than a seven-fold increase and the highest payout in history. In 1970 alone, total bene-

fits increased 80 per cent (\$1.7 billion) over the 1969 level. The combination of legislated increases in maximum weekly benefits and in maximum duration of the benefits has increased nearly *tenfold* the total benefits potentially payable to the individual unemployed worker in a year's period (dollars per week multiplied by the number of weeks).³

This is bound to increase still further. On July 8, 1969, President Nixon called upon the states to provide for higher weekly unemployment compensation benefits. He suggested that weekly maximums be set at two-thirds of the average weekly wage in a state so that benefits of 50 per cent of wages would be paid to at least 80 per cent of insured workers. Only one state — Hawaii — responded promptly with the full raise suggested, but other states have scheduled future increases.

There can be no doubt that unemployment compensation reduces the incentive to hold on to an old job or to find a new one. It helps unions to maintain artificially high wage rates and it prolongs and increases unemployment. One economist has likened it to "a bounty for keeping out of the labor market."⁴

Moreover, it is a complete misnomer to call it unemployment "insurance." In the United States

the workers do not even make a direct contribution to it (though in the long run it must tend to reduce the real pay of the steady worker). Like so-called government old-age "insurance", it is in fact a confused mixture of insurance and handout. Those who are continually urging an increase in the percentage of the previous wage-rate paid, or the extension of the benefit-paying period (to avoid undisguised relief), forget that it violates ordinary welfare standards of equity by paying larger sums to the previously better-paid workers than to the previously lower-paid workers.

But apart from these shortcomings, what we are primarily concerned with here is the tendency of unemployment compensation, once adopted, to keep growing both as a percentage of weekly wages

and in the length of idle time for which it is paid.

Just what success, if any, the increasingly costly Social Security and unemployment compensation programs have had in enabling the Federal government to "quit this business of relief" we shall see in a subsequent article. 

• FOOTNOTES •

¹ *Encyclopedia Britannica*, 1965, article "Bismarck", Vol. 3, p. 719.

² Colin D. Campbell and Rosemary G. Campbell, "Cost-Benefit Ratios under the Federal Old-age Insurance Program," U. S. Joint Economic Committee, *Old-age Income Assurance, Part III* (Washington, D. C., U. S. Government Printing Office, December 1967), pp. 72-84.

³ Much of the foregoing material on Social Security and unemployment compensation is derived from studies by the American Enterprise Institute, Washington, D. C.

⁴ W. H. Hutt, *The Theory of Idle Resources* (London: Jonathan Cape, 1939), p. 129.

Leisure Is Not Free

LEISURE IS NOT FREE. To the extent that we choose it rather than productive work, we exchange it for real income. Longer vacations, more holidays, and other time-off practices — like a shorter work week — must all be charged against real income. The average worker has gained about 50 hours in additional vacation time since 1960. The ten-hour, four-day week may not reduce work time; it may even add to the productive use of resources and equipment. But by emphasizing leisure instead of work it is likely to point in an unhelpful direction.

IDEAS ON



LIBERTY

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

9

Prelude to
Independence

THE ISSUE was joined, and unremittingly pressed, after Parliament passed the Coercive Acts in 1774. George III declared in September of that year that "the die is now cast, the colonies must either submit or triumph. . . ."¹ Young Alexander Hamilton put the matter this way: "What then is the subject of our controversy with the mother country? — It is this, whether we shall preserve that security to our lives and properties, which the law of nature, the genius of the British constitution, and our charters afford us; or whether we shall resign them into the hands of the British House of Commons. . . ."² Heretofore, when Britain had been faced by colonial resistance, Parliament had backed down. This time, Parliament held its ground, and the executive prepared to use force. When that happened, a new dimension was added to the issue, the dimension of independence — independence or submission.

Colonial leaders did not rush to formulate the issue in this way. On the contrary, they clung to the connection with Britain, continued to profess their allegiance to the king, and indicated a willingness to negotiate if Britain would at-

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tend to their grievances. Indeed, George III had been ruling for sixteen years before independence was declared, specific grievances had gone unresolved for thirteen years, and British troops were encamped against American forces for more than a year. Colonists did sometimes rush to resist particular measures, but they moved very slowly in conceiving of changing their relationship to Britain.

Nor can it be maintained that the colonists moved slowly in grasping the nettle of independence in order simply to manipulate the British into taking aggressive measures which would determine the outcome of the question. The provocation came increasingly without the aid of colonial inducement. Probably, most Americans did not want independence throughout the years of resistance. What is even more certain is that many Americans did not want the quarrel to eventuate in independence and that others who did begin to think of separation were loathe to alienate this goodly number so long as it could be avoided. So far as we can tell, virtually all Americans opposed various of the British measures, with the obvious exception of Crown officials. This near unanimity was sundered by the question of independence. The slowness of the movement for independence to surface can be at-

tributed to the desire to avoid internal divisions as well as, perhaps, the calculation of leaders not to outrun their followers.

The colonists, in any event, did not move swiftly toward deciding for independence; and on the positive side, they employed deliberative bodies when and where they could to make the decisions. Of course, these deliberative bodies were frequently not legal, but they were the nearest thing to it that the colonists had available. From 1774 into 1776 the colonists were frequently denied their legal legislative assemblies; and when these could not meet, other bodies resembling them were assembled.

The First Continental Congress

The main focus of the Coercive Acts was on Boston and Massachusetts. The Boston Port Act which closed the port of Boston until the tea was paid for might conceivably have separated Boston from the rest of Massachusetts, at least for a time. But when other acts followed to alter the government of all of Massachusetts, this potential effect was nullified by Parliament itself. There was a greater probability that Massachusetts would be isolated from the other colonies and that the British might succeed in a policy of divide and conquer. But the colonial leaders were intent on preventing any such policy

from succeeding. The Committees of Correspondence were already in existence. Moreover, other colonies had grievances of their own as well as those shared with Massachusetts.

Confronted with the Coercive Acts, some of Boston's leaders wanted to take immediate economic measures against Britain by way of retaliation. However, there was widespread sentiment throughout the colonies for a congress to be held to decide upon what action to take. Providence called for such a congress on May 17, Philadelphia on May 21, and New York City on May 23. The Massachusetts House of Representatives went along with the idea by issuing a call for a congress on June 17. Within colonies, delegates were elected by provincial congresses or county conventions. The First Continental Congress met in September, 1774, in Philadelphia. Twelve colonies sent 56 delegates. Only Georgia did not send delegates, which was not surprising, since that colony was not very populous, its government was not self-supporting, and it was dependent more than others on Great Britain.

But before the Congress assembled, important new formulations of ideas had entered the stream. In July, Thomas Jefferson's *A Summary View of the*

Rights of British America appeared, followed in August by James Wilson's *Considerations on . . . the Legislative Authority of . . . Parliament*. While neither of these works necessarily represented colonial opinion, they do indicate the direction in which it was thrusting. The colonists had held firmly to the idea from 1765 on that Parliament could not lay taxes for the raising of a revenue, but they had shifted to a harder and harder position as to what was the authority of Parliament over the colonies. The main objection to the Stamp Act was that it was a direct tax. The major objection to the Townshend Duties was that they aimed to raise a revenue. The Tea Act was opposed at the outset both because it was monopolistic and would raise a revenue. Jefferson of Virginia and Wilson of Pennsylvania went beyond this position to suggest that the legislative assemblies in America were equals of Parliament in law-making and that Parliament really should have no authority over America.

Freedom to Trade

Jefferson's position comes out in part in his criticism of an earlier act of Parliament suspending the legislature of New York. He said, "One free and independent legislature hereby takes upon itself to

suspend the powers of another, free and independent as itself...."³ In a closing impassioned appeal to the king, Jefferson pleaded: "No longer persevere in sacrificing the rights of one part of the empire to the inordinate desires of another, but deal out to all equal and impartial right. Let no act be passed by any one legislature which may infringe on the rights and liberties of another."⁴ Through the debates over the years there had been general agreement by colonial spokesmen that it was necessary for Parliament to regulate commerce with other nations. That is, Americans were still very much under the influence of mercantilist assumptions. Jefferson, however, appeared to see no need for such regulation; rather than a benefit to the colonies the regulations interfered with the natural course of trade and set the stage for tyranny. For example, he says: "That the exercise of a free trade with all parts of the world, possessed by the American colonists as of natural right . . . , was next the object of unjust encroachment..." Their "rights of free commerce fell once more the victim to arbitrary power. . . . History has informed us that bodies of men as well as individuals are susceptible to the spirit of tyranny. A view of these acts of Parliament for regulation, as it has been affectedly

called, of the American trade . . . would undeniably evince the truth of this observation."⁵ In short, the colonies did not need parliamentary regulation of their trade but should rather see it as a usurpation of their rights and an instrument of tyranny.

The Dominion Theory

James Wilson's argument is mainly that the only political connection of the colonies was with the king. To support this view, he reviews American history:

Those who launched into the unknown deep, in quest of new countries and habitations, still considered themselves as subjects of the English monarchs, and behaved suitably to that character; but it nowhere appears, that they still considered themselves as represented in an English parliament extended over them. They took possession of the country in the *king's* name: they treated, or made war with the Indians by *his* authority: they held the lands under *his* grants, and paid *him* the rents reserved upon them: they established governments under the sanction of *his* prerogative, or by virtue of *his* charters. . . .⁶

The principle toward which Wilson was moving is one which eventually came to be known as the dominion theory of empire, a theory in which each province had its own government but continued to

have allegiance to the English monarch. John Adams argued this case more explicitly in the *Novanglus Letters*, which appeared after the First Continental Congress had dissolved itself.⁷

Results of the Meeting

The First Continental Congress had a relatively brief session from September 26 to October 22 of 1774. It dealt with four major points during that time. The first of these was the Suffolk Resolves which were presented by Massachusetts delegates and when confirmed were formal advice from the Congress to that colony. The Resolves declared the Coercive Acts unconstitutional, advised Massachusetts to form its own government until such time as the acts were repealed, recommended that the people of that colony arm themselves and form a militia, and called upon them to adopt economic sanctions against Britain. This was, indeed, a strong stand against British action, and it is not too much to label it defiance.

The Congress next dealt with the Galloway Plan of Union. It was the work of Joseph Galloway of Pennsylvania, and is usually considered to have been conservative in character. Be that as it may, the Plan was intended not only to provide a general government for the colonies but to do so

within the general frame of royal and parliamentary authority in the British empire. The Plan was defeated, but there is little reason to suppose that had it been adopted anything would have come of it.

The Declaration and Resolves was the major policy position adopted by the Congress. It set forth the rights of the colonies, enumerated the abuses of recent years, delineated, once again, the limits of parliamentary authority, and called for economic sanctions. A considerable debate occurred within committee as to whether they should found their argument for rights on natural law or not.⁸ The issue almost certainly was not over whether there is natural law and natural right but over the impact of referring to them on the colonial relationship to Great Britain. Those determined to preserve the connection with Britain wanted to hold on to the idea of their tracing their rights to Britain. Once the claim went to the laws of nature the basis for making a definitive break would be laid. The outcome, however, was that the Congress confirmed both sources for their rights. The preamble to the ringing statement of rights reads:

That the inhabitants of the English colonies in North America, by the immutable laws of nature, the

principles of the English Constitution, and the several charters or compacts, have the following rights [among others]:

That they are entitled to life, liberty, and property, and they have never ceded to any sovereign power whatever, a right to dispose of either without their consent.

That our ancestors, who first settled these colonies, were at the time of their emigration from the mother country, entitled to all the rights, liberties, and immunities of free and natural-born subjects within the realm of England.

That by such emigration they by no means forfeited, surrendered, or lost any of those rights. . . .⁹

The line of action they were to undertake was provided for by the establishment of a Continental Association. The men gathered at the Congress hoped to get British policy altered by the use of economic sanctions. They adopted a program of non-importation, non-consumption, and non-exportation from, of, and to Britain, the non-exportation to be put into effect later than the others. Enforcement was to be carried out in this way. "In the first place, the people were asked to pledge themselves not to buy British merchandise — the Nonconsumption Agreement — thus leaving ill-disposed merchants no market for their proscribed wares. Secondly, the enforcement of the

Associated was entrusted to local committees. . . ."¹⁰ Economic sanctions are, of course, a two-edged sword: they hurt the imposers as well as those on whom they are imposed, though not necessarily in equal degree. In any case, they were probably the most nearly peaceful means open to the colonists to attempt to inflict damage on the British. In the colonies there was much sentiment that whatever they did without would be good for them, in any case.

Whatever the merits of economic sanctions in general, they did not lead to a peaceful resolution of the dispute between the colonies and England. The great majority of those in power in England favored the use of force now to bring the colonists to terms. Colonial petitions, declarations, and resolutions were rejected with alacrity by Parliament. Colonial agents in London were refused in their request to appear before the House of Commons on behalf of a petition from America by a vote of 218-68. Petitions from London and Bristol merchants were denied an effective hearing by a vote of 250-89. William Pitt, now Earl of Chatham, offered a resolution for the withdrawal of troops from Boston; it was defeated by the Lords temporal and spiritual, 68-18. Charles James Fox's efforts to get the ministry censured by the

House for its American policies was defeated 304-105.¹¹ On February 2, 1775, Lord North, the king's chief minister, declared that some of the colonies were in a state of rebellion and that more troops should be sent to America.¹²

Since the two sides were now set on a collision course, it was only a matter of time until the contest would erupt into open hostilities. On February 9, Parliament officially declared Massachusetts to be in a state of rebellion. On February 26, British troops attempted but failed to seize colonial military supplies at Salem. Late in the month Lord North succeeded in getting what was billed as a conciliatory plan through Parliament. It permitted the colonies the option of taxing themselves instead of having the tax imposed by Parliament for meeting imperial expenses. The concession hardly interested the colonies. On March 22 Edmund Burke, longtime friend of America in Parliament, made his famous speech calling for reconciliation with America. It did not sway Parliament, but the next day Patrick Henry addressed his fellow Virginians in a speech of a different temper which may have helped to sway a continent. Had it been heard by all colonials in the version with which later Americans are familiar, it would surely have aroused the passions of many

of them for action. Henry grew weary of the vain efforts of those seeking peace by some strategem or other. To those of this temper, he cried:

Gentlemen may cry peace, peace — but there is no peace. The war is actually begun! The next gale that sweeps from the North will bring to our ears the clash of resounding arms! Our brethren are already in the field! Why stand we here idle? What is it that gentlemen wish? What would they have? Is life so dear or peace so sweet as to be purchased at the price of slavery? Forbid it, Almighty God — I know not what course others may take; but as for me, give me liberty or give me death!

Lexington and Concord

No more were Lord North and the king determined upon peace. On March 30, Parliament passed the New England Restraining Act, which barred the North Atlantic fisheries to New Englanders and prohibited any trade between these colonies and anyone else except in Britain and the British West Indies. The next month these provisions were extended to several of the colonies south of New England. On April 14 General Gage got his orders to use force to break up the rebellion in New England. He acted with dispatch by sending troops to Concord on April 19 under orders to seize a munitions

depot there. These troops were met by colonials at Lexington, someone fired ("the shot heard round the world," Thomas Paine said), and a small battle took place. It was enlarged during the course of the day, as riflemen gathered from all sides and threatened to destroy the British forces at one point. Reinforcements arrived, however, and the British were able to return to Boston. Seventy-three British troops were killed during the day, and a lesser number of colonials. Fighting on a war-like scale had taken place; the resolution of the British and the Americans would now be tried by arms.

Less than a month after Lexington and Concord a Second Continental Congress assembled at Philadelphia (May 10). The First Congress had voted its own dissolution, but they provided that a new congress should meet if the disputes had not been settled. So it was that a new body was assembled that would attempt over the next half dozen years to guide the affairs of what was not yet the United States. Among the members of the Second Continental Congress were some of the most talented men ever to grace the American scene, men whose names will live as long as the founding of the Republic is remembered. From Massachusetts came John and Samuel Adams along with

John Hancock who was elected to preside over the congress, from Pennsylvania came Benjamin Franklin, Robert Morris, and James Wilson, among others, from Connecticut came Roger Sherman and Oliver Wolcott, from Virginia came George Washington, Richard Henry Lee, and Thomas Jefferson, and so on through the roll call of the signers of Declaration of Independence, as well as many who had left the Congress by that time. Some of the most talented followed other pursuits for the states during the war so that during some of the most trying days it was not so lustrous a body. But at its inception it contained most of the men who would play the leading roles in guiding America to independence.

A Colonial Army

Congress was confronted with the task of what to do about the fighting from the moment it met. New Englanders had taken matters in hand partially already, and on the same day that Congress met in Philadelphia Ethan Allen and Benedict Arnold led a force of colonials in taking Fort Ticonderoga on Lake Champlain. And on June 17 the Battle of Bunker Hill took place as a result of a British decision to drive the Americans from a redoubt on Breed's Hill. This battle pitted a British army

against a colonial army, and though the British drove the Americans from their positions they did so at the expense of heavy casualties.

Before the Battle of Bunker Hill, however, Congress had acted to take charge of the fighting. George Washington was appointed commander-in-chief of the armed forces of the colonies; he left straightway to take charge of the forces in Massachusetts, which he accomplished on July 3. George Washington had gained considerable military experience in the French and Indian War. He had sided with the colonies from the outset, and while he was never strident in his resistance he was already beginning to show that firmness which was to become his hallmark. A very important consideration at the moment of his selection, of course, was that he was from Virginia, the most populous of the colonies; and the New Englanders could see that it was essential to bring other colonies to their support. The choice of Washington was unanimous, and through all the difficult years and wrangling between Washington and Congress, that body never really faltered in its support of him. Washington chose not to take a salary for his contribution but only to have his expenses paid.

Though feeling was running

high in America against Britain, there were those in Congress who believed that they would be remiss in their duty if they did not make yet another effort to achieve reconciliation. John Dickinson took the leadership in drawing up and getting through Congress on July 5, 1775 what is known as the Olive Branch Petition to the king. The members assembled declared themselves "Attached to your Majesty's person, family, and government, with all devotion that principle and affection can inspire. . . ." This being the case, "We, therefore, beseech your Majesty, that your royal authority and influence may be graciously interposed to procure us relief from our afflictive fears and jealousies. . . ." ¹³ Recognizing the realities, however, Congress on the next day adopted declarations drawn by Jefferson and Dickinson which explained the occasion for their taking up arms.

Congress adjourned on August 2 to await developments. They were not long in coming, for George III proclaimed the colonies to be in open rebellion on August 23. Benedict Arnold led an expedition to Canada in the fall, with the permission of General Washington. In October, Congress authorized a navy, followed by the opening up of correspondence with other nations in November, with the idea of gaining friends. In

November, the colonies received word that the king had refused to receive the Olive Branch Petition. The House of Commons then defeated a motion to make the Petition the basis of reconciliation by a vote of 83 to 33. Late in 1775 a royal proclamation was issued closing the colonies to all commerce after March 1, 1776.

A Reluctance to Separate

That all these things had occurred and that the colonists still could not bring themselves to declare for independence indicates how reluctantly they took that step. By the winter of 1775-1776, some goodly number had already decided for independence; but many had not. This was a most difficult decision to make, much harder than merely deciding for resistance. Those who took this step must forswear ancient allegiances, must commit the most heinous of crimes (or so they had been taught) by becoming traitors, must hazard their lives and fortunes upon the uncertain outcome of a war, must almost certainly divide the country, and might well let loose domestic disorder on a large scale. Prudent men must ever ponder carefully their course before taking such an irrevocable step. Arguments were made in public for and against independence even as men wrestled in-

wardly with the difficult question. If men of those times had used such terms as "conservative" and "liberal," which they did not, they might well have debated the question of which was the conservative position. From one point of view, it would have been conservative to have continued old allegiances and connections. But from another angle, Britain was the innovator, and the colonists had insisted all along that they were contending for the ancient constitution and the old order and harmony that had prevailed. Indeed, the father of conservatism, Edmund Burke, saw the justice of their contention though, of course, he could not advise the colonists to become independent.

Probably, much of the waiting was in the hope that England would take some action that would sway the most reluctant toward independence. While this never happened, as time went on, and Britain committed more and more acts, more did decide for independence.

Thomas Paine

But it was the little book, *Common Sense*, published by Thomas Paine in January of 1776 which did so much to galvanize American opinion in favor of independence. Within three months, 120,000 copies of it were in circula-

tion. George Washington said that it "worked a powerful change in the minds of many men," and the testimony of other contemporaries as well as historians confirms this judgment.

That this little pamphlet should have had such currency and impact must surely be attributed to the fact that it encapsulated an idea whose time had come rather than to the character of its author. Few would have predicted before 1776 that Thomas Paine would have the niche in history which he gained. He was born in Norfolk, England, the son of a staymaker. He had not done well as a government clerk, as a husband, or as manager of his own financial affairs. Benjamin Franklin encouraged him to come to America in 1774, which he did, to be made editor of the *Pennsylvania Magazine*. Somehow he grasped the tendency of the currents in the new land and was able to render them into language which moved his lately acquired fellow countrymen, the phrases of which still ring with power after two centuries.

Paine took as his task in *Common Sense* the convincing of Americans that the time had come for independence. He sought to convince them that the time was right, that they could succeed, and that their fears of the consequences of independence should be

seen in contrast with the certainties of ruin if they did not follow the indicated course.

The body of the work begins in a peculiar way; it is theoretical and apparently remote from his object. He iterates the distinction between government and society, a distinction which, he says, people frequently do not take care in making. Society, he points out, is natural in origin; it arises out of the need of man for his fellows. Government, by contrast, is a construct, albeit a necessary one. The point was quite germane, however. Paine was commending to a people that they cast off the government over them. If government and society can be distinguished one from the other, they can be separated. To rend society might be ruinous, but to cast off a government which was not performing its allotted function would only provide the opportunity for something much better.

Attack on Monarchy

Much of Paine's rhetoric was aimed at monarchy in general and in particular. The colonists, many of them, had shifted in their thinking to the point where they were willing to acknowledge their allegiance only to the king. This was the remaining cord to be severed. Of the institution of monarchy, Paine said:

Government by kings was first introduced into the world by the heathens, from whom the children of Israel copied the custom. It was the most prosperous invention the devil ever set on foot for the promotion of idolatry. The heathens paid divine honors to their deceased kings, and the Christian world has improved on the plan by doing the same to their living ones. How impious is the title of sacred majesty applied to a worm, who in the midst of his splendor is crumbling into dust!¹⁴

Of English monarchy, he had even more scathing things to say. Where did the line originate?

A French bastard landing with an armed banditti and establishing himself king of England against the consent of the natives is in plain terms a very paltry, rascally original. It certainly has no divinity in it. However, it is needless to spend much time in exposing the folly of hereditary right; if there are any so weak as to believe it, let them promiscuously worship the ass and lion, and welcome. I shall neither copy their humility nor disturb their devotion.¹⁵

George III was disposed of as the "royal brute of Britain," and a long line of monarchs disparaged as hardly worthy of mention. But the whole subject of monarchs soon palls on him: "Of more worth is one honest man to society, and

in the sight of God, than all the crowned ruffians that ever lived."¹⁶

Mother England?

Paine deals with another difficult point for Americans. England is the mother country, or so it has been claimed. He denies the allegation. Europe is the origin of America, he says, in what may be one of the weakest of his arguments. But, in any case, Britain did not mother America; the inhabitants of the New World were driven from her shores and, in contrast even to the behavior of brutes, she was making war on them. Moreover, there is no reason in an island attempting to govern a continent.

Above all, Paine held up for examination the past record under Britain and contrasted it with the vision of what America should and could be. This should move men to an early separation.

O ye that love mankind! Ye that dare oppose not only the tyranny but the tyrant, stand forth! Every spot of the Old World is overrun with oppression. Freedom has been hunted round the globe. Asia and Africa have long expelled her. Europe regards her like a stranger, and England has given her warning to depart. O! receive the fugitive, and prepare in time an asylum for mankind.¹⁷

It took little more to tip the

scales for independence. In May of 1776 Congress learned that the king had succeeded in hiring German (generally referred to as Hessian) troops to send against them. On June 7, Richard Henry Lee introduced a resolution to the effect that the colonies were now independent of Britain. On June 11, Congress appointed a committee to draw up a declaration. The painful decision was all but made. 

• FOOTNOTES •

¹ Quoted in Merrill Jensen, *The Founding of the Nation* (New York: Oxford University Press, 1968), p. 572.

² Leslie F. S. Upton, ed., *Revolutionary versus Loyalist* (Waltham, Mass.: Blaisdell, 1968), p. 21.

³ Edward Dumbauld, ed., *The Political Writings of Thomas Jefferson* (New York: Liberal Arts Press, 1955), p. 22.

⁴ *Ibid.*, p. 32.

⁵ *Ibid.*, pp. 19-20.

⁶ Jack P. Greene, ed., *Colonies to Nation* (New York: McGraw-Hill, 1967), p. 225.

⁷ See Anne H. Burleigh, *John Adams* (New Rochelle: Arlington House, 1969), pp. 122-29.

⁸ See Jensen, *op. cit.*, p. 493.

⁹ Richard B. Morris, *The American Revolution* (Princeton: D. Van Nostrand, 1955), p. 114.

¹⁰ John C. Miller, *Origins of the American Revolution* (Boston: Little-Brown, 1943), p. 385.

¹¹ See Jensen, *op. cit.*, pp. 575-78.

¹² *Ibid.*

¹³ John Braeman, *The Road to Independence* (New York: Capricorn Books, 1963), p. 275.

¹⁴ Nelson F. Adkins, ed., *Thomas Paine* (New York: Liberal Arts Press, 1953), p. 10.

¹⁵ *Ibid.*, p. 15.

¹⁶ *Ibid.*, p. 18.

¹⁷ *Ibid.*, p. 34.

Next: The Declaration of Independence.

The Law

IT IS IMPOSSIBLE to introduce into society a greater change and a greater evil than this: the conversion of the law into an instrument of plunder.

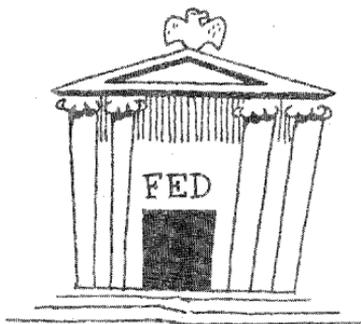
No society can exist unless the laws are respected to a certain degree. The safest way to make laws respected is to make them respectable. When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law.

In order to make plunder appear just and sacred to many consciences, it is only necessary for the law to decree and sanction it. Slavery, restrictions, and monopoly find defenders not only among those who profit from them but also among those who suffer from them.

IDEAS ON



LIBERTY



HANS F. SENNHOLZ

The Federal Reserve System

AFTER full use of the presidential influence to get the legislation adopted, President Woodrow Wilson signed the act establishing the Federal Reserve System, on December 23, 1913. The Reserve Banks opened their doors for business on November 16, 1914.

Why? What was the origin of this new System? How does it work? What are its good points, if any, and what are its dangers?

Trade cycles had been an unhappy experience in the United States as well as in Western Europe. The panic of 1907 and the subsequent lethargy of business and finance had increased the widespread clamor for banking and currency reform. "We need a more flexible currency," the advocates of a reorganization of the American banking system as-

serted; "a currency that can be made to expand or contract in accordance with the needs of business." This flexibility was to eliminate the recurring periods of financial stress and disorder.

The "reformers" pointed approvingly at the currency systems in Western Europe. There was, for example, the Bank of England. It enjoyed a partial monopoly of note issue, and served the government as banker and as agent. All other banks kept accounts with the Bank of England because its currency notes commanded the greatest confidence and widest circulation. At the end of each clearing period, the claims of all other banks were settled through transfers among their respective deposits with the Bank of England. It was the "lender of last resort." In times of financial crisis it was expected to stay liquid, and to grant accommoda-

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tion to the most essential credit needs. It had done so during the crises of 1873 and of 1890. And in 1907 it had allayed alarm in England by merely increasing its discount rate.

There also was the Reichsbank of Germany. It, too, conducted a discount policy for the protection of general banking liquidity. But the Reichsbank differed from the Bank of England in one important respect, which had great appeal for the planners in the United States. This was the "elasticity" in its note circulation. So our central banking institution was fashioned, in general, after the Reichsbank.

While the Bank of England always held a full gold reserve for its notes issued, the Federal Reserve System was required to maintain a gold reserve of only forty per cent against its issue notes; sixty per cent could be held in trade and agricultural paper discounted by member banks. And the Reserve Banks had to keep on hand, in "lawful money," only thirty-five per cent of all their deposits. In an emergency the full reserve requirements could be suspended for thirty days, with renewals of suspension for further periods of fifteen days each — but at a penalty of a graduated tax on the deficiency in reserves. All these features were to give the

new bank flexibility and elasticity.

Economic control over the new System was given to seven governors who are appointed by the President and approved by the U.S. Senate. Of course, ultimate control lies in the hands of the President who makes the appointments. In all important policy matters pertaining to American money and credit, his decision prevails.

In this age of radical interventionism and socialism, a sharp distinction must always be made between economic control that is decisive, and legal ownership that is empty and meaningless. The 1913 Congress that created the Federal Reserve System gave control to the President acting through his seven governors, but rested the legal ownership with the commercial banks that were to join the System. The member banks thus could be made to finance the System through the forced sale to them of "stock" that lacked any right of control. After all, the new System was to afford support and stability to commercial banks. Why shouldn't they be made to finance such benefits? At least, this was the rationale of government in 1913.

If the legal ownership of the System should ever be placed with the Federal government — which the U.S. Congress, the creator of

the System, may legislate at will — the meaning and substance of the System will remain unaltered.

The Federal Reserve was to accommodate its member banks with emergency reserves and credits. After 50 years of rapid growth of government it now holds complete powers over our money and banking. It works with three important instruments to suit whatever its purposes may be at any given time. In the beginning it had — or at least used — only one. This was the *rediscount instrument*.

Rediscount Rate

Promissory notes, drafts, and bills of exchange, growing out of actual commercial transactions and with a maturity not to exceed ninety days, accepted by the commercial banks and then rediscounted with the Federal Reserve — this constituted, by law, the base and the boundary for the money the Federal Reserve could create. Thus a direct causal connection was to be established between the money supply and the demand for money. Since the total of commodity bills rediscounted was supposed to be determined by the intensity of economic life, basing the money supply on that total was supposed to bring about a perfect adjustment of this supply to the fluctuating “needs of business.” This arrangement was to

make money “neutral,” smoothly rendering the vital service of a medium of exchange without itself affecting prices.

Of course, it did no such thing. The volume of “paper” thus offered the Federal Reserve for rediscount — and hence the amount of currency and credit it could feed into the economy — was determined primarily by the *rediscount rate* which the Federal Reserve itself established and could change at will. As so often happens, the planners had put the cart before the horse.

Also, by 1935, the boundaries in this channel of operations had been materially widened. The paper presented to the Federal Reserve for advances to its member banks no longer had to arise out of commercial transactions. It could even be government securities. If the notes, drafts, or bills of exchange had been drawn “for agricultural purposes,” they could now have a maturity of nine months instead of three. Not only banks, but individuals, partnerships, and corporations also had been given access to the discounting facilities of the System. Finally, in 1942, the Federal government was authorized to borrow up to five billion dollars directly from the Federal Reserve. And every loan the Federal Reserve System made to any borrower, for any

purpose, under these relaxed conditions, allowed it to issue that much more currency, or credit in the form of a bookkeeping entry subject to the check of the borrower.

Open-Market Operations

The second tool of the Federal Reserve System is its authorization to *buy or sell certain securities in the open market*. The original Act granted it this power to buy and sell obligations of the United States, and of any state, county, district, political subdivision, or municipality in the United States.

By the 1920's it was recognized that these open-market transactions by the Reserve Banks offered an important method of central credit control. So a concentration of this power into the hands of one regulatory body was advocated. Legislation enacted in 1933 decreed that no Federal Reserve Bank should engage in open-market operations except in accordance with regulations adopted by the Federal Reserve Board. To improve and formalize this centralization, the Open Market Committee was organized. And in 1935 an amendment to the 1933 Act finally provided that "no Federal Reserve Bank shall engage or decline to engage in open-market operations ... except in accordance with the

direction of, and regulations adopted by, the Committee."

With this tool in familiar use, the Federal Reserve System no longer had to wait for member banks to ask for discounts and advances, at whatever rate it might have set, in order to affect the money supply. It could do so directly, on its own initiative, by buying or selling securities to make the money and capital markets more liquid or more tight, as it might wish. In payment for securities the Federal Reserve merely draws, on itself, a check which constitutes newly created money. Then, as this check is deposited by the recipient in his bank, and redeposited by that bank, it winds up as an addition to the reserve account of some bank with the Federal Reserve.

Open-market operations of the Federal Reserve may deal in long-term securities. Thus they may affect, directly and immediately, long-term interest rates and yields. They are, therefore, a quite comprehensive instrumentality of control. For this reason such operations have high prestige and preference in the plans of the money managers.

Reserve Requirements

The third and perhaps most powerful instrument of credit control in the hands of the Federal

Reserve System is its authority to *change the reserve requirements* of its member banks. Both the rediscount process and the open-market transactions either increase or decrease member bank reserves, and hence the amount of credit which these banks can make available. But changing the percentage of its deposits which a bank must keep as a reserve is an even more drastic form of influence over the money and credit supply.

Suppose a bank has one million dollars of demand deposits. If the reserve requirement is ten per cent, it must keep one hundred thousand dollars in its Reserve Bank. It may loan out or invest the rest. But if the reserve requirement should now be lowered, let us say, to five per cent, our bank would need only fifty thousand dollars as a reserve against its demand deposits. It can now lend or invest the remaining \$50,000.

If this were the only effect, only \$50,000 of additional money would enter the economy. In reality, however, this is merely the beginning of a chain of money creation. Let's assume that our bank decides to hold the reserves thus set free as "excess reserves." It may then extend more credit to its customers. Of course, it would have to proceed very slowly lest it

lose its reserves to other banks or customers demanding cash. It cannot proceed any faster than other banks that also are expanding their credits on the basis of their newly won excess reserves.

This is an oversimplification, of course. But the impact on the capital and money markets of changes in reserve requirements is extremely potent. It is estimated that at present a fluctuation of only one per cent tends to increase or decrease the total volume of bank credit by more than six billion dollars. This authority to vary reserve requirements was given to the Federal Reserve System in 1933, *as a special emergency power*. Since 1935 it has been a permanent instrument of credit control.

A Most Important Tool in the Armory of Intervention

An appraisal of the good points and bad points of the Federal Reserve System depends on the political and economic philosophy of the appraiser. If he favors government control over our economy he will regard the Federal Reserve most favorably, for it holds absolute power over the people's money and credit.

If one is convinced of the beneficial nature of an enterprise economy, he will unconditionally

reject the Federal Reserve System. He will condemn it as the controlling body of an important industry. He will blame it for having shattered the American dollar; for having caused booms, busts, recessions, and depressions; and for having made the fifty-six years of its existence a period of unprecedented economic instability.

In the opinion of this writer, this instability has fostered the growth of ideologies that are hostile to individual liberty. The Federal Reserve, through its policies of "boom and bust," helped to usher in the New Deal. And it now acts as midwife to ever more extensive government controls.

Since it began operating in 1914, the Federal Reserve System has put some \$55 billion in circulation, has extended some \$65 billion in credit, and thereby has depreciated the dollar by almost three-fourths. And it continues to inflate the money supply at an accelerating rate.

First, the economic planners in Washington clamor for an expansion of the volume of money and credit, in order to bring about—or sustain—a boom, prosperity, and full employment. They rejoice over wage boosts, but dislike the parallel price rises and the hardships wrought upon those with fixed incomes. They approve of

additional housing construction, but disapprove of higher prices for houses. They like one set of inflationary effects, but decry the inevitable twin set. And the economic planners are always most anxious indeed to do something about these undesired effects. In order to "fight" inflation, they want to curb economic actions with credit controls, price controls, wage controls, and all kinds of other government controls over our economic lives. They want socialism. In my opinion, an acceleration of the present long-range credit expansion will lead us rapidly into the controlled economy they desire.

Under these conditions, the Federal Reserve System is the most important tool in the armory of economic interventionism. In the Governors' own words, it is the system's objective "to help counteract inflationary and deflationary movements, and to share in creating conditions favorable to sustain high employment, stable values, growth of the country, and a rising level of consumption." This is plain interventionism, with all of the planner's usual assumption of benevolent omniscience. An institution which was established as a cooperative undertaking by the banks of the country to pool their resources has developed into the right hand of

the government in promoting its "New Deal" and "Fair Deal" objectives. The beautiful fallacies of socialist "central planning" are being substituted for the hard, but lasting and productive, truths of a free market. And the Federal Reserve System supplies the magician's cloth under which the substitution is made.

Its part in the colossal metamorphosis of our country is not limited to the maintenance of cheap money, in order to prolong or create a boom. It also provides the government itself with the money the planners think they should have, beyond the amount they dare take directly in taxes.

The Federal Reserve System facilitates the government's own inflationary financing "in periods of emergency." It makes easy the inflationary financing of budget deficits and the inflationary re-funding of government loans. It stabilizes the government bond market through inflationary methods and manipulates this market to the advantage of the government. It does all of this by wrecking the purchasing power of the dollar; by subtly stealing from the people of this country what it thus provides for the government, through a process similar to the coin-clipping of ancient kings — but much more diabolical because so much less visible.

Emergency Banking Laws

No matter how grave our indictment for past and present evils, we must anticipate an even more ominous role of the System in the future. For periods of national emergency, all administrations since that of Eisenhower have issued emergency banking regulations that grant extraordinary powers to the Federal Reserve System. Although these may differ in detail, in substance they are much alike.

For instance, let us look at Emergency Banking Regulation No. 1, issued on January 10, 1961. It is probably the most radical order that ever emanated from an American government. Yet, few voices of protest are heard, for few would dare oppose government preparations for a national emergency.

Emergency Banking Regulation No. 1 is just one of a number of emergency measures that would impose government control over rentals, prices, salaries and wages, and introduce rationing. The Regulation orders the instant seizure of most bank deposits "in the event of an attack on the United States." The Regulation is based on The Trading with the Enemy Act of October 6, 1917, and covers all banking institutions, including every commercial bank, trust company, private bank, savings bank,

mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, and United States postal savings office.

Section 2 of Chapter V is most shocking in its wanton denial of individual freedom and private property. Lest we be suspected of misinterpretation, we quote:

"(a) No depositor or share or savings account owner may transfer in any manner or by any device whatsoever any balance to his credit on the date on which this Regulation becomes effective, except for the payment of (i) expenses or reconstruction costs vital to the war effort, (ii) essential living costs, (iii) taxes, (iv) payrolls, or (v) obligations incurred before the date on which this Regulation becomes effective, to the end that the best interest of the war effort and the public will be served.

(b) Banking institutions shall prohibit the transfer of credit in any case where there is reason to believe that such transfer is sought for any unauthorized purpose.

(c) After this Regulation becomes effective, banking institutions shall retain until released by Federal authority the original or a photographic copy (face and reverse sides) of each check and other evidence of transfer of credit in the amount of \$1,000 or more."

In short, your money in the bank is blocked unless you pro-

pose to spend it toward the war effort, i.e., buy U.S. Treasury obligations or finance expenditures deemed "vital" by the government. You may withdraw your money for living expenses, but only sums deemed "essential." You may pay taxes and wages, and discharge old obligations. But any other use of your money is prohibited. Let us assume that you were saving for another car, new furniture, or a house, or for your children's college education. As such objectives can hardly be called "essential," neither for the war effort nor individual living, your money could be blocked.

The Emergency Regulation would permit business to pay taxes and wages, but deny all other expenses of doing business. After all, manufacturers need materials, tools, and equipment in order to produce goods and services. Merchants need ever new supplies of merchandise in order to stay in business. Even professional people, such as doctors and dentists, have expenses other than taxes and wages. This is why the Regulation would halt all economic activity but that of government. In fact, no enemy attack no matter how devastating to human life and property could conceivably have a more disruptive effect than the Emergency Banking Regulation.

Chapter VI, Section 1, of the Regulation would radically change the very nature of banking.

"No banking institution may make any loan, extend any credit, or discount or purchase any obligation or evidence of debt, unless it is established and certified in writing by the borrower and a banking institution that the purpose is to pay (i) expenses or reconstruction costs vital to the war effort, (ii) essential living costs, (iii) taxes, or (iv) payrolls, to the end that the best interests of the war effort and the public will be served."

It is ironic that the stated purpose of the Regulation is "continuance of operations and functions" of all banking institutions. Indeed, banks would be required

to "remain open and continue their operations and functions." (Chapter IV, Section 1). In reality, the stated purpose should read "cessation of all banking operations and assumption of the exclusive function of government finance." After all, what is banking? It is negotiating credit between lenders and borrowers, and maintaining cash balances for the convenience of depositors. It is obvious that banking ceases to exist if credit can no longer be negotiated and cash no longer be paid upon demand by the depositors. The Emergency Regulation would make all financial institutions agencies of the U.S. Treasury, with the Federal Reserve System as a subtreasury that polices the banking system. ●

Trade in Good Faith

THE ECONOMIC LIFE of the world in 1913 went on in an atmosphere of good faith. Men with liquid capital used the capital themselves confidently in business enterprises or loaned their capital at market rates of interest to others who would use it in productive operations. There were no billions of dollars of "hot money" such as characterized the decade of the 1930's, moving nervously about from one financial center to another through fear of confiscation or through fear of further currency debasement—moving from countries which their owners distrusted more to countries which they distrusted less, but finding nowhere a place which they could really trust.

IDEAS ON



LIBERTY

Willmoore Kendall Contra Mundum

I KNEW Willmoore Kendall, who is now presented posthumously in a wide-ranging selection called *Willmoore Kendall Contra Mundum* (Arlington House, \$11.95), when he functioned as the book editor at Bill Buckley's *National Review*. I had heard stories that he was a most "difficult" man, forever getting into trouble with his colleagues, whether at Yale or elsewhere, for disputatious reasons that, according to Dwight MacDonald, often ended in the "shouting stage." But, like Jeffrey Hart, who contributes an illuminating biographical introduction to this representative collection of Kendalliana, I found him to be unfailingly considerate at all times.

I could only conclude that most of the difficulties that Kendall encountered came from the "liberal" bias of academia, a bias that refused to accept the fact (which Kendall insisted upon) that older American orthodoxies that still prevailed beyond the limits of the campus had a continuing legitimacy, even though (as in the case of Senator Joe McCarthy) their proponents sometimes made stupid mistakes in arithmetic. It was the

standard opinion at the Yale of Willmoore Kendall's time that "McCarthyism" imperiled academic freedom, yet ironically, the only academic casualty of the "McCarthy period" that I know was Willmoore Kendall, who was chivvied into relinquishing his professorial tenure because he insisted on the need for strong means to keep Communist subversives out of sensitive positions in Washington. The actual "McCarthyism" of the campus in the Fifties and early Sixties was practiced by the liberals themselves, and Willmoore Kendall was their most conspicuous victim.

But what were Kendall's actual positions? As one uncovers them in the articles in *Willmoore Kendall Contra Mundum*, they were mostly derived from an intense preoccupation with *The Federalist*, particularly the contributions of James Madison. Kendall had his reservations about John Locke because, as he saw it, Locke's thinking (which trusted to the good sense of the British parliament) provided for no substantial defenses against the possible madness of a majority as represented by a single branch of

government. It is the triumph of the American system that it has provided for what Kendall calls "the two majorities." The same electorate that selects the President as the leader of "all the people" also determines the composition of Congress, which, through its committee system and its control of the purse, often acts as a brake on what a Utopian occupant of the White House might want to do. This is the Madisonian system as bequeathed to us by the Founders, to whom Kendall made the unorthodox obeisance of accepting all their goals, the necessity of providing for the common defense and maintaining a more perfect union as well as the desirability of protecting such individual rights as free speech and freedom of assembly.

One thing that made Kendall "difficult" was his refusal to slide around the great enigmas of our time. How does one reconcile a belief in justice with a belief in majority rule? (After all, an absolute majoritarian must concede the right of 50.1 per cent of the voting population to send 49.9 — including nonvoters — to the gas chambers.) How does one square the use of the Fourteenth Amendment to compel many things that were left to the jurisdiction of the States, or to the individuals themselves, by the Ninth and Tenth

Amendments? (After all, nobody has ever argued that the Ninth and Tenth Amendments have been repealed.) Kendall could not settle the great contradictions, but he insisted that they be confronted and argued about. And this made him an uncomfortable fellow among his faculty colleagues in the university common room, most of whom accepted an unconscious bias for the Declaration of Independence, which stresses equality, and against the Preamble to the Constitution, which says nothing about it. But if Kendall wasn't liked by his fellow professors, his faculty for directing students to the actual words of our basic documents made him a great teacher.

In his essay on "The Two Majorities" Kendall speaks of the "bias toward Quixotism inherent in our presidential elections" and the "corrective" of "Sancho Panzism" as applied by the off-year and staggered elections for Congress. He himself was Don Quixote in his hopes that universities could actually provide for real confrontation of issues and Sancho Panza in his willingness to undercut the modern liberal orthodoxy. His bloodiest fights came over his insistence that "equality of opportunity" is the *ignis fatuus*, the light of fools, of modern political discourse. To get "equality of opportunity," one would first have to

abolish the family, which would be wrong. Secondly, one would have to level off incomes and accept some form of socialism. This would not only be morally wrong in Kendall's opinion, but it wouldn't work.

Kendall trusted the "second majority," that of Congress, to resist the attempt to legislate "equality of opportunity." He didn't live to see what our judges are doing to confuse our educational scene, but he would, if he were still around, almost certainly make the point that it must hurt everybody, the poor included, if superior minds are to be kept by a leveling process from getting a superior education. If it hadn't been for inequality, the poor would never have had the benefits resulting from such modern commonplaces as vaccination, pasteurization or, indeed, the electric light bulb. We all have a stake in letting the uncommon man get all the opportunity that his genes, his family or the pure luck of an unequal draw can give him. This doesn't mean that when compulsorily seized tax money is being spent it shouldn't be disbursed in accordance with a sense of equal justice. But it does mean that non-governmental agencies, such as the family, the corporation, the foundation and the private school, should be left alone to favor individuals and causes as they

choose. Out of the variety of inventions, discoveries and good works that come from letting individuals push their unequal faculties as far as they can, we get a far better quality of life for everyone than would otherwise be the case.

Kendall was always delightfully alive to paradoxes. He multiplied difficulties for himself by his refusal to allow people — such as myself — to ground their assertion of rights on feelings that we must assume are fairly common to human beings everywhere. John Locke, I take it, based his claim that governments are instituted to protect the individual in his right to life, liberty and property not only on what he took to be historical evidence but also on his own interior feelings. Those feelings happened to be in accord with what is asserted as Revelation ("Thou Shalt Not Steal" and "Thou Shalt Not Kill"). In his own thirst for both divine sanctions and human delaying agencies, Willmoore Kendall couldn't admit that Locke was doing the best he could in a pre-Madisonian situation. If Locke had had to corral thirteen separate colonies under one Constitutional roof, he might have done more to eliminate the dangers inherent in a pure majoritarianism as practiced by a single arm of government. ●

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The New Agricultural Revolution

GEORGE B. MUELLER

A black and white photograph showing a tractor pulling a hay wagon in a field. The tractor is on the right, and the hay wagon is in the center. The background shows a field with some trees in the distance.

EVERY AMERICAN school boy and girl is familiar with the agricultural revolution. It was this revolution that enabled American workers to leave the farm and build a great nation. The modern techniques and tools used on our present-day, family operated, commercial farms are the envy of the world. Even Premier Krushchev came over to take a first-hand look at our tremendous agricultural productivity. Our family farms, bigger and more efficient than ever, are putting food on the typical American's table for less than 17 per cent of his wages. Certainly, if there ever was a success story, it is America's family farm.

As farmers, we are presently investing twice the amount industry averages in capital tools per man. Because of this heavy capital investment, and the fact that most farmers still put in a full day of productive work, our American farm products remain competitive in world markets. In contrast, each year that passes, we see more and more of our industries failing to meet competition abroad. The shelves in our stores are increasingly stocked with products "Made in Japan" and elsewhere.

In spite of nearly nine billion dollars of agricultural products exported last year, the United States experienced a minus balance of trade for the first time in 83 years. To make matters worse, dock worker strikes have seriously

Mr. Mueller, of Clifton Springs, New York, owns and operates a family farm specializing in dairying and cash crops.

curbed agricultural feedgrain exports, threatening a permanent loss of markets that took years to develop. Thus, agriculture, one of our few industries still able to compete, has been partially shut off from world markets. Our family-based agriculture, the strongest in the world, has a tremendous ability to compete if only permitted to do so.

"The Farm Problem"

Agriculture is over-crowded, as are most other businesses in the United States. We have too many drug stores, too many hardware stores, too many grocery stores, too many insurance salesmen, too many barber shops, and so on. This is the American way. Businessmen are supposed to be free to enter any field of production and trade in which they think they can make a profit. The result is keen competition in most businesses. The consumer benefits from competition by getting better service and lower prices. Competition also has resulted in numerous business failures. The typical business earns a slim profit, if any. Only the best managed firms (those that serve the consumer best), reap a substantial profit. Such is the nature of our cherished system of competitive enterprise.

The agricultural business is es-

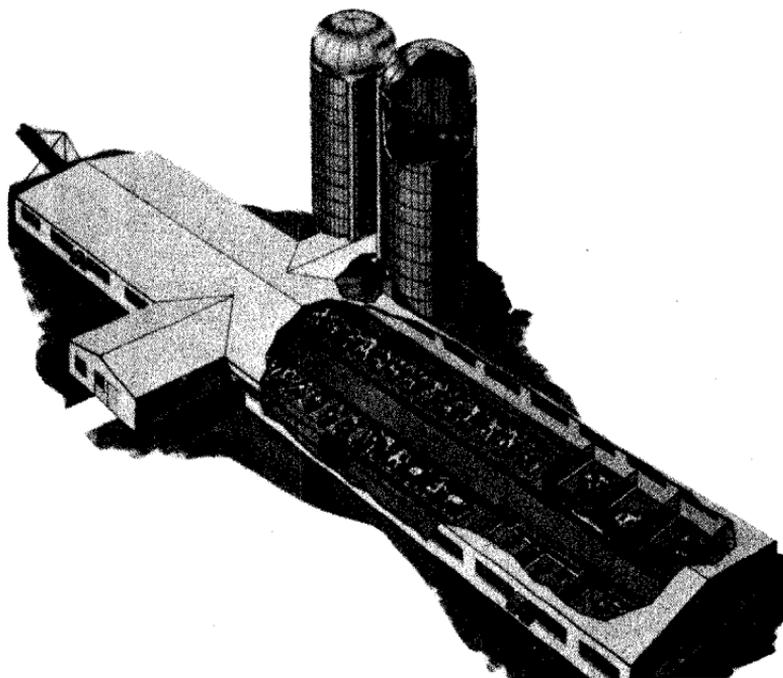
pecially crowded because it was the original and only way of life for many Americans. The movement of workers out of agriculture has not been rapid enough to prevent this over-crowding. Farming generally is a wholesome, healthy, and satisfying work, and many people are willing to accept a lower standard of living rather than give up such a way of life. Farming, because of its appeal, will always be crowded, and profit margins for the "average" farmer will always be low. Only the well-managed farm, operated with a judicious amount of modern tools and the latest know-how, will yield a good profit. This is as it should be, for this type of farm operation is serving the consumer best.

Time and again we hear dire predictions of the take-over of farming by corporations. It is true that the family farm has changed and tends to look more like a factory every day. My neighbor used to be one of the largest poultry farmers in the county with 3,000 layers — and quite successful. But progress has left him behind. Those in the vicinity who intend to stay with chickens are building 500-foot-long houses to hold 43,000 birds in wire cages, wall-to-wall. These are still family-owned and -operated farms, but they are large and efficient. Likewise, the dairy farms of 30 years ago with 12 cows

are now either out of business or have grown much larger. They, too, are still family-owned and -operated. The only corporate agriculture in my county consists of a few acres of vineyards owned by a winery. The United States Department of Agriculture reports that corporations account for only 1 per cent of our farms, 7 per cent of our farm land and 8 per cent of our agricultural production. A closer look reveals that ninety per cent of these are actually family farms that have incorporated to ease the transfer to the next generation. It is apparent that the family farm that has mechanized and is under the skillful manage-

ment of its owner is still very competitive. Corporations, with their high fixed costs, have found it almost impossible to compete with the American family farm.

I think we do not have a "farm problem." In fact, agriculture, because of the private research by feed, seed, building supply, chemical, machinery, and fertilizer companies, has kept up with modern methods as well as has any U.S. industry. The development of hybrid seed corn is an excellent example of how private researchers, competing for a profit, benefit all of us — especially the consumer. The research by Land Grant Colleges and by the U.S.D.A. has sup-



plemented and stimulated this private research. Agri-business salesmen, farm catalogs, advertising folders, and numerous farm publications, in addition to government-sponsored agricultural extension service (county agents), have made this valuable research available to all American farmers — big and small. Use of this modern knowledge has made the American family farm the most efficient in the world. Rather than looking upon agriculture as a serious problem, we should consider it our biggest success story.

The Winds of Change

A fundamental change is taking place in the thinking of the American farmer. We have long been singled out by politicians as a group of people to be pitied. Farm publications keep telling us how much we suffer. Our farm leaders are especially sympathetic to our "sad" plight and pledge all sorts of programs to bring us aid. We farmers have heard this so long and so often that we are beginning to believe it.

The independent, self-reliant, self-thinking farmer is wavering. So often told that we must cooperate with others and "set our own price," we are beginning to move in this direction. The appeal of collective bargaining is gaining momentum among farm people.

Farm editors and farm leaders would not dare suggest that competitors in any other business get together to set prices; yet, they boldly advocate a monopoly control over supply by farmers, using such terms as "disciplined marketing" or "supply management." When examined closely, their object is a monopoly control over the total supply. The result is presumed to be higher prices and returns for the farmer at the expense of the consumer. But let us look at how this will affect the family farm.

The family farm is dominant in America today because it is a *strong competitor*. It is dominant because of its ability to survive in periods of low prices. The family farmer can let the hired man go and work harder himself in periods of low prices. The farmer's wife can even take a job in town in order to help save the farm. These are options not available to the larger, more heavily capitalized corporate farms.

Interestingly enough, many of the farmers working the hardest for collective bargaining — and the security that the higher and more stable prices will bring — are the large operators. Through careful management and hard work, they have built large efficient enterprises which they now wish to protect. In periods of high prices, they prosper. But low prices put

the large farms to the test, causing many to fail. Fluctuating farm prices thus tend to even the score, so that the little fellow has an opportunity to compete. What will happen to the small family farm when collective bargaining assures stable high prices for the large farmer? Won't this be the opening corporations are looking for and won't they come pouring into agriculture once we assure a higher profit margin?

To limit "over-production" when bargaining achieves a better price for farmers, there will have to be some kind of a quota system. Just as laborers wait in line to work on union jobs, so shall young farmers wait in line to farm. In good growing years we will be forced to let a portion of the crop rot to insure higher prices from the consumer. It will be an entirely new ball game for the self-reliant, independent, competitive farmer. But he will adjust, once he tastes the fruits of collective action.

As time goes on, I anticipate that these quotas will be purchased by the larger growers; and the larger growers will merge and form even larger corporations. Once we establish "rights" as to who can farm and how much, we are opening the door to big business in farming. Just as truckers "rights" are soon purchased by the larger trucking firms, the far-

mers "rights" will also flow toward where the money is. By turning to collective bargaining, we may be dooming the family farm.

We already have legislation to prevent buyers from discriminating against us when we sell cooperatively - The Agricultural Fair Practice Act. The National Agricultural Marketing and Bargaining Act (Sisk Bill) is about to be passed in Congress. It would force the buyer of farm products to negotiate in good faith with his regular suppliers and prevent him from buying from other sources during these negotiations. The next logical legislative step will be a requirement for compulsory arbitration if negotiations fail. Along with this will have to come a limit on entry and quotas for all existing farmers.

In summary, we are witnessing in a few short years the coming of a monopolistic type of collective bargaining for agriculture. Farmers are accomplishing this through strong and efficient lobbies in Washington. Farmers may soon have the collective bargaining powers that it took labor a century of bloodshed to obtain. Even the U.S.D.A., after 35 years of all sorts of farm programs that have failed, now suggests that we try farm bargaining. The collective bargaining juggernaut is rolling in high gear and is on a collision course with

the family farm. There is definitely an agricultural revolution in progress.

The Consumer Is Still King

The first principle of business is that the customer is king. To prosper over a period of years, a business must serve the customer well. Now, as farmers, we find ourselves looking at our customers as adversaries from whom we should demand better prices rather than earn them. Like many unionized wage earners in our society, we foolishly believe we can raise our standard of living by demanding more for doing less.

The time has come for the American consumer to remind the farmer that he is a *businessman*,

expected to compete as he produces the food and fiber that our nation needs. Farmers are no more justified in getting together to manipulate prices than are oil companies, or auto companies, or drug companies, or any other business competitors. It is time to remind the farmer that competition is still the foundation of free enterprise. True, farmers have more votes and, therefore, more power in Washington than have other businesses. But does this justify a war against consumers? The consumer, if alerted, has more power — economic or political — than any conceivable combination of producers. Perhaps it is time for consumers to take a hand in steering a course for agriculture. ☉



Welfarism Gone



BOTH SOCIAL SECURITY and unemployment compensation were proposed in large part on the argument of Franklin D. Roosevelt and others in 1935 that they would enable the government to "quit this business of relief."

Though all the social "insurance" programs he asked for were enacted, together with a score of others, and though all of these supplementary or "substitute" programs have been constantly enlarged, direct relief, instead of showing any tendency to diminish, has increased beyond anything dreamed of in 1935.

Henry Hazlitt is well known to FREEMAN readers as author, columnist, editor, lecturer, and practitioner of freedom. This article will appear as a chapter in a forthcoming book, *The Conquest of Poverty*, to be published by Arlington House.

The number of welfare recipients in New York City alone jumped from 328,000 in 1960 to 1,280,000 in October, 1971 (exceeding the total population of Baltimore) and was still growing. On March 10, 1971, the U. S. Department of Health, Education and Welfare reported that more than 10 per cent of the residents of the nation's twenty largest cities were on welfare. In New York City, Baltimore, St. Louis, and San Francisco, it was one person in seven; and in Boston, one in five. The Mayor of Newark, N. J. told Congress on January 22, 1971 that 30 per cent of the population in his city was on relief.

For the whole country, the number of people on welfare grew from 6,052,000 in 1950 to 7,098,000 in

1960, to 9,540,000 in 1968, to 12,-912,000 in September 1970, and to 14,480,000 in September, 1971.

Because payments to individuals kept increasing, total expenditures for relief grew still faster. Here is a condensed record:

Fiscal year	All Funds (000)	Federal Funds (000)
1936	\$ 349,892	\$ 20,202
1940	1,123,660	279,404
1945	1,028,000	417,570
1950	2,488,831	1,095,788
1955	2,939,570	1,440,771
1960	4,039,433	2,055,226
1965	5,868,357	3,178,850
1970	14,433,500	7,594,300
1971	18,631,600	9,932,000

Sources: U. S. Department of Health, Education and Welfare, NCSS Report F-5 July 6, 1971; and Social Security Bulletin, December, 1971.

In the fiscal year 1971, relief expenditures of \$18.6 billion were running at more than four times the rate of 1960, more than sixteen times the rate of 1940, and more than 53 times the rate of 1936.

To economize on figures, I have not only confined myself to five-year interval comparisons, but I have not shown the division between state and local funds. Yet these comparisons are part of the explanation of the skyrocketing growth of these relief figures. It will be noticed that while the Federal contribution to direct relief expenditures was only 5 per cent in 1936, it was 25 per cent in 1940, 44 per cent in 1950, and 53 per cent in 1971. Yet relief was actually ad-

ministered at the state and local level. In fact, it was for the most part administered by the cities and counties. The localities contributed only 26 per cent toward the total cost of the relief they handed out in 1940, only 11 per cent in 1950, 13 per cent in 1960, and 11 per cent in 1970. When a city government is contributing only 11 cents of its own for every dollar it pays out to relief recipients, it can distribute its political favors cheaply, and has little incentive to exercise vigilance against overpayment and fraud.

Most of those who discuss the mounting cost of direct relief treat this figure in isolation as if it represented the total cost of "the war against poverty." In fact, it is only a small fraction of that cost, recently running in the neighborhood of not much more than a tenth. The following figures are from an official table of "Social Welfare Expenditures Under Public Programs."¹

Social Welfare Expenditures (in millions of dollars)

Year	Total	Federal	State and Local
1935	\$ 6,548	\$ 3,207	\$ 3,341
1940	8,795	3,443	5,351
1945	9,205	4,399	4,866
1950	23,508	10,541	12,967
1955	32,640	14,623	18,017
1960	52,293	24,957	27,337
1965	77,121	37,720	39,401
1968	113,839	60,314	53,525
1970	145,350	77,321	68,029
1971 (p.)	170,752	92,411	78,341

Revenue Sharing?

This gigantic total of \$171 billion for "social welfare" is more than triple the figure for 1960 and more than 26 times the figure for 1935. Yet the 29-fold increase in Federal expenditures for welfare in the 35-year period, instead of reducing the burden on the states and cities, as originally promised, has been accompanied by a 23-fold increase even in that local burden.

A similar result is evident if we consider the cost of direct relief alone. Though the Federal government was contributing only 5 per cent of that total cost in 1936 compared with 53 per cent in 1971, the cost to the States and localities has increased 26-fold. So much for the theory that "revenue-sharing", or increased Federal contributions, do anything in the long run to reduce the burden of welfare spending on the states and localities. They lead merely to a total increase in that spending.

So the tendency of welfare spending in the United States has been to increase at an exponential rate. This has also been its tendency elsewhere. Only when the economic and budgetary consequences of this escalation become so grave that they are obvious to the majority of the people — i.e., only when irreparable damage has been done — are the welfare programs likely to be curbed. The chronic in-

flation of the last 25 to 35 years in nearly every country in the world has been mainly the consequence of welfarism run wild.

The causes of this accelerative increase are hardly mysterious. Once the premise has been accepted that "the poor", as such, have a "right" to share in somebody else's income — regardless of the reasons why they are poor or others are better off — there is no logical stopping place in distributing money and favors to them, short of the point where this brings about equality of income for all. If I have a "right" to a "minimum income sufficient to live in decency", whether I am willing to work for it or not, why don't I also have a "right" to just as much income as you have, regardless of whether you earn it and I don't?

Once the premise is accepted that poverty is never the fault of the poor but the fault of "society" (i.e., of the self-supporting), or of "the capitalist system", then there is no definable limit to be set on relief, and the politicians who want to be elected or re-elected will compete with each other in proposing new "welfare" programs to fill some hitherto "unmet need", or in proposing to increase the benefits or reduce the eligibility requirements of some existing program.

No complete count seems to exist anywhere of the present total

number of welfare programs. The \$171 billion expenditure for social welfare in the fiscal year 1971 is officially divided into roughly \$66 billion for "social insurance", \$22 billion for "public aid", \$11 billion for "health and medical programs", \$10 billion for "veterans' programs", \$56 billion for "education", nearly \$1 billion for "housing", and \$5 billion for "other social welfare". But these sub-totals are in turn made up of 47 different groups of programs, and many of these in turn consist of many separate programs.²

A Jungle of Agencies

The weary taxpayer reads about such things as food stamps, job training, public housing, rent supplements, "model cities", community-action projects, legal services for the poor, neighborhood health centers, FAP, Office of Economic Opportunity (OEO), Medicaid, Old Age Assistance (OAA), Aid to the Blind (AB), Aid to the Permanently and Totally Disabled (APTD), Aid to Families with Dependent Children (AFDC), General Assistance (GA), manpower training programs, Head Start, VISTA, and on and on, and has no idea whether one is included under another, whether they duplicate each other's functions, which, if any, have been discontinued, or which are just about to start. All

he knows is that there seems to be a new one every month.

In 1969, Mrs. Edith Green, a Democratic Congresswoman from Oregon, asked the Library of Congress to compile the total amount of funds a family could receive from the Federal government if that family took advantage of all the public assistance programs that were available.

Taking a hypothetical family of a mother with four children — one a pre-schooler, one in elementary school, one in high school, and one in college — the library informed her of the following:

This family could collect \$2,800 from public assistance; \$618 from medical assistance because of AFDC; \$336 in cash value for food stamps; and about \$200 from OEO for legal services and health care. The family would also be entitled to public housing or rent supplements ranging in value from \$406 to \$636.

The preschool child would be entitled to enter Head Start, the average cost being \$1,050 for each youngster. The child in high school would be eligible for \$1,440 worth of services from Upward Bound and the youngster in college would be eligible for an education opportunity grant that could be worth anywhere from \$500 to \$1,000. He also would be eligible for a National Defense Education Act loan, and if he took advantage of the

forgiveness feature, he could get an outright grant of \$520. He would also be eligible for a work-study program costing in the neighborhood of \$475. If the mother wanted to participate in the job opportunity program, this would be worth \$3,000.

So this imaginary family, a mother with four children, would be able to take advantage of grants and services worth \$11,513 for the year.

In another hypothetical case, a mother with eight children could total an annual welfare income of \$21,093.³

In 1968 Congressman William V. Roth, Jr. and his staff were able to identify 1,571 programs, including 478 in the Department of Health, Education and Welfare alone, but concluded that "no one, anywhere, knows exactly how many Federal programs there are."

In February, 1972, administration witnesses testified before a Congressional committee that there were 168 separate Federal programs geared in whole or in part to combating poverty. But as the total expenditures of these 168 programs were only \$31.5 billion (out of \$92 billion of Federal "social welfare expenditures") this must have been an incomplete list.

While the Federal government keeps piling up new welfare programs, under Democratic or Re-

publican administrations, almost every individual program shows a tendency to snowball. One reason is that when Congressmen propose a new program, the expenditure set in the initial year is almost always comparatively moderate, to allay opposition — the "entering wedge" technique; but annual increases in spending are built into the law. Another reason is that when a new welfare program is launched, it takes people a little while to catch on to it; and then the stampede begins. A still further reason is that the bureaucrats who administer the program — eager to demonstrate their own vicarious compassion and liberality, as well as the indispensability of their jobs — not only interpret the eligibility requirements very leniently, but actively campaign to advise potential "clients" of their "legal right" to get on the rolls.

There has been a great deal of discussion in the last few years regarding the extent of fraud and cheating among those on relief. From the very nature of the problem this can never be exactly known; but the evidence indicates that it is substantial.

In January, 1971, after a door-to-door check on welfare cases, the State of Nevada struck about 22 per cent of the recipients — 3,000 people — from the relief rolls. The State Welfare Director reported

that they had been cheating taxpayers out of a million dollars a year through failure to report income from other sources, including unemployment benefits. The director blamed the frauds on a Federal regulation that permitted welfare applicants to obtain aid simply by stating that they met all qualifications.

In Michigan, state welfare officials discovered cases of money being pocketed by welfare clients for dental work which was never performed.

In California, a group of San Francisco Bay area residents — all fully employed — conducted an experiment to prove to county supervisors how easy it is to get on relief. They traveled the circuit of welfare offices, applying for and getting on welfare, usually without even furnishing identification. Governor Reagan said that "one managed to get on welfare four times under four different names in one day — all at the same office."

In his message to the California legislature, Governor Reagan pointed out: "The same government that requires a taxpaying citizen to document every statement on his tax return decrees that questioning a welfare applicant demeans and humiliates him."

A spot check of welfare rolls in New York City by the General Accounting Office, reported in Sep-

tember, 1969, showed that 10.7 per cent of all families on relief there did not meet the eligibility requirements, and that 34.1 per cent of those who were eligible were being overpaid.⁵

In 1971, New York City Comptroller Abraham Beame revealed that the city was losing \$2 million a year as a result of forged checks. More millions were lost because people on relief falsely complained that they had not received their checks; they were mailed duplicates. Simply requiring those on relief to come and pick up their checks, rather than getting them by mail, lowered New York City's welfare lists by about 20 per cent.

It is impossible to know how much of the blame for the national and local welfare mess is to be put on relief cheaters and how much on loose administration. It is made so easy to get and stay on relief legally that cheating hardly seems necessary.

On January 12, 1969, *The New York Times* ran a front-page story under the headline: "Millions in City Poverty Funds Lost by Fraud and Inefficiency." It reported that "Multiple investigations of the city's \$122-million-a-year anti-poverty program are disclosing chronic corruption and administrative chaos," and quoted an assistant district attorney as saying: "It's so bad that it will take

ten years to find out what's really been going on inside the Human Resources Administration." The next day Secretary of Labor W. Willard Wirtz said that New York City had the worst administrative problem of any antipoverty program in any city in the country.

But the New York situation kept getting worse. In January, 1971, a welfare mother and her four children were assigned to the Waldorf Astoria, one of New York's most elegant hotels, at a cost of \$152.64 for two days. The City's welfare agency claimed with a straight face that there was no room elsewhere. But many other routine practices of the City were almost as costly, with entire hotels "temporarily" filled with relief families at hotel rates. One family was put up at the Broadway-Central at a cost of \$390.50 a week. Another, a welfare family of fifteen, was put up at a Bronx motel at a rental that would add up to \$54,080 a year.⁶

Dependent Children

Much the fastest growing relief program has been Aid to Families with Dependent Children (AFDC). In the ten years from 1960 to 1970 the number of people aided by this program increased from 3,023,000 to 9,500,000. Costs soared from \$621 million in 1955 to \$4.1 billion in 1970.

The nationwide cheating on this is probably higher than on any other welfare program. The reason is that a mother and her children, legitimate or illegitimate, become eligible for AFDC relief if there is no employed father present. The mothers report that the father has "deserted." "The fact is," according to one authority, "that in many cases the father never really deserts. He just stays out of sight so the woman can get on AFDC rolls. In slum areas, everyone knows this goes on. It is widespread in New York City." Governor Reagan reported that he knew there were 250,000 homes in California where the father had run out.

One of the fundamental causes for the huge and growing load of relief cases is that there is no adequate investigation of eligibility. The excuse offered by some welfare workers is: "It's impossible to do adequate eligibility checks. There isn't time. It's a question of helping people who need help rather than catching people who need catching."

Still another reason why there is no adequate investigation of eligibility is that Federal bureaucratic regulations discourage it. As Governor Reagan has put it: "The regulations are interpreted to mean that no caseworker can challenge or question a welfare ap-

plicant's statements."⁷

Instead of trying to reform this situation, the Department of Health, Education and Welfare seems mainly concerned to defend it. It has published and circulated widely a booklet called *Welfare Myths vs. Facts*. This turns legitimate criticisms into "myths" by grossly overstating them, and then produces questionable answers. For example:

"Myth: The welfare rolls are full of able-bodied loafers.

"Fact: Less than 1 per cent of welfare recipients are able-bodied unemployed males."

This figure, implying that it would have a negligible effect on welfare to find jobs for these men, is incredibly low. It is apparently achieved by treating any physical impairment, however trivial, as a qualification for family relief; it ignores employable women; and it ignores the fact that the average relief family consists of 3.7 persons, who would move off the rolls if the breadwinner went to work. Another example:

"Myth: Once on welfare, always on welfare.

"Fact: The average welfare family has been on the rolls for 23 months. . . . The number of long-term cases is relatively small."

A 23-month average for families on relief is hardly something to be complacent about, even if the fig-

ure is accurate. The Department's own charts show that more than a third of those on welfare have been there three years or more. Moreover, the Department's average does not count "repeaters." If a family were on relief for, say, 23 months, off a month, back on for another 23 months, and so on, it would not raise the average. Nor does any figure based on relief at any given point in time count the prospective remaining period each case will be on the rolls. Already families have been found on relief for three generations.⁸

Small wonder that President Nixon, in his State of the Union message of January, 1971, called the existing American relief system "a monstrous, consuming outrage." 

• FOOTNOTES •

¹ *Statistical Abstract of the United States*: 1971, table no. 430, p. 271, and *Social Security Bulletin*, December 1971.

² See *Social Security Bulletin*, December 1971.

³ *Human Events*, December 13, 1969.

⁴ *New York Times*, February 16, 1972.

⁵ These examples were cited in an article "Welfare Out of Control" in *U. S. News & World Report*, February 8, 1971. By coincidence, *Time* and *Newsweek* also carried long feature stories on welfare in their issues of the same date, covering similar material.

⁶ *Time*, February 8, 1971.

⁷ *U. S. News & World Report*, March 1, 1971.

⁸ An excellent analysis of the HEW *Welfare Myths vs. Facts* pamphlet appeared in *The Wall Street Journal* of January 27, 1972 by Richard A. Snyder, a member of the Pennsylvania Senate.

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

10

The Declaration
of Independence

THE DECLARATION OF INDEPENDENCE is a peculiar, unusual, and in many ways, unique document in the modern world. Of revolutions there have been a surfeit, and more, in the last two hundred years. And accompanying them have been pronouncements, directives, statements, proclamations, and declarations enough for a good start on papering the walls of the Pentagon. Of all such documents, however, one stands out and looms above the rest — the Declaration of Independence. Not only has it been revered usually by the people of the United States, provided the grist for innumerable orations, been memorized — in part — by school children; it also has been almost endlessly quoted in reproach of actual American ways and has been looked to by peoples of other lands as a standard. Supreme Court justices have appealed to it, would-be revolutionaries have claimed its rhetoric, while those of a conservative bent have sought their principles within it. For most of the history of the United States only one national holiday — Thanksgiving — has ranked with the 4th of July, the day set aside for celebrating the signing of the Declaration of Independence.

Dr. Carson shortly will join the faculty of Hillsdale College in Michigan as Chairman of the Department of History. He is a noted lecturer and author, his latest book entitled *Throttling the Railroads*.

It is somewhat strange and a matter for wonder that this document among all those of an era rich with elegant statements should have attained its unique position. John Adams thought that the second day of July would be celebrated, for it was on that day that the resolution for independence was adopted. Moreover, he later declared of the Declaration that "There is not an idea in it, but what had been hackneyed in Congress for two years before."¹ That portion of the document to which people usually refer is exceedingly brief, comprising, at most, two paragraphs, the first of which is only a sentence in length. The remainder of the document is of historical interest only. Moreover, the Declaration is not now, and never has been, a part of the fundamental law of the United States. It lies outside the structure of law which is made up of constitutions, statutes, and the common law. There are, of course, reasons for its position, and they will come out in an analysis of the document and discussion of its background and extension.

There are three dimensions of the Declaration of Independence which should be carefully considered for a clear understanding of it. The first is the contemporary context within which it was written, adopted, proclaimed, and

served its purpose. However much it may have come to belong to the ages, the Declaration had a definite purpose and a particular role at the time. The second dimension is its past. The words and phrases are given their meaning not only within the contemporary rhetoric but also from historical doctrines and beliefs. Too, the later applicability of anything said is conditioned by the context of a then past history. The third dimension is its future. What men have made of the document, frequently out of context and with no attention to the concepts which give it any continuing validity, tells us something of the reason for its importance.

The Declaration in Context

The story of the composition and adoption of the Declaration is fairly simple. Richard Henry Lee's resolution for independence, introduced on June 7, 1776, was not immediately adopted. On June 10, Congress decided to delay further discussion of it until July 1, for many delegates awaited instructions, or changes in instructions, from their legislatures before acting affirmatively for independence. Lee's simple and straightforward resolution would have been adequate for the formal declaring of independence. But America badly needed aid from foreign powers if the appeal to arms was to be suc-

cessful. Thomas Paine had suggested in *Common Sense* that some sort of manifesto be published in order to gain friends with other nations: "Were a manifesto to be published and dispatched to foreign courts, setting forth the miseries we have endured and the peaceable methods which we have ineffectually used for redress; declaring at the same time that . . . we had been driven to the necessity of breaking off all connections . . . — such a memorial would produce more good effects to this continent than if a ship were freighted with petitions to Britain."² This was apparently the origin of the idea for a declaration. Therefore, following the determination to delay adopting Lee's resolution, Congress appointed a committee to produce such a document. The committee was composed of Benjamin Franklin, John Adams, Robert Livingston, Thomas Jefferson, and Roger Sherman.

Thomas Jefferson was assigned the task of producing a draft of the proposed declaration. Had John Dickinson been favorably disposed toward independence at this juncture, the task would probably have been his. Jefferson had only lately acquired a considerable reputation as a writer with his *Summary View of the Rights of British America*. In any case, his selection turned out to have been

one of the happiest decisions ever made by a committee. Some minor changes were suggested by Franklin and Adams, and these were incorporated in the document. Congress also made a few alterations.³ But the finished work was substantially what Jefferson had presented to the committee. Much of the honor which has fallen to the Declaration should be credited to Jefferson's felicity of style, graceful turns of phrase, and the evocative power of words appropriately juxtaposed.

Congress acted quickly once the Lee resolution came before it again on July 1. The next day it was approved unanimously by 12 colonies, though the New York delegation abstained. And then — on the July 4 date which was to be celebrated by posterity — Congress approved the Declaration of Independence.

The stated purpose of the Declaration was to declare to "mankind" the "causes which impel them to the separation." It was addressed, then, to the world at large. It can be conveniently divided into three parts for purposes of discussion: the first is a theoretical justification of revolution and independence; the second is an enumeration of the abuses suffered at the hands of the British; and the third is the formal declaring of independence.

A Dangerous Action

The theoretical justification of revolution is contained in the first two paragraphs, which are also the most often quoted parts of the Declaration. Interspersed through these paragraphs runs a litany of phrases which have become etched in the minds of Americans: "Laws of Nature and of Nature's God," "truths to be self-evident," "all men are created equal," "endowed by their Creator," "unalienable Rights," and "Life, Liberty and the pursuit of Happiness." The ideas may have been hackneyed, as John Adams said, but the phrases in which Jefferson caught them elevated above the trite and ordinary to the sublimity of enduring poetry.

Yet, ideas are dangerous, as every tyrant knows and even parents of small children suspect; and there is no more dangerous context for setting forth thoughts than the one for which these were written. The Declaration not only declares independence but also proclaims revolt — revolution. Sages may debate as long as they will whether the American revolution was indeed a revolution — and the question is important in some of the later meanings of the word — but there can be no doubt that it was a revolution in the root sense of the word. That is, it was a revolt against and a casting off

of the governmental authority which had been exercised over the colonies. Not only that, but it was *successful* — the basic distinction between a revolution and a rebellion. Nothing more dangerous to the peace and safety of a people can be imagined than a revolution: the former authority is cast off, whether law and order will be maintained is gravely in doubt, and man's bent to destruction is likely to be loosed from the ultimate means of confining it.

The point of emphasizing the danger of revolution is to enter a warning: the opening paragraphs of the Declaration of Independence are not something to be casually trotted out on any and all occasions. They are a theoretical justification of revolution, and those who intend less than revolution may well take care in how they refer to them. But the point is also to note the qualifying conditions of the document as to what justifies revolt: "Prudence, indeed will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shewn, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed."

The case for revolution, as Jefferson presented it, can be sum-

marized in this way. The Creator has endowed men with certain rights. Governments exist for the purpose of securing these rights to those under them. When a government rather than performing these ends primarily begins destroying them, and indicates by a long term trend that it cannot be brought back to its purpose, "it is the Right of the People to alter or abolish it. . . ." This is the nub of the argument.

A Majority Form of Action

There is much that is left out of the simple statement of the doctrine of the right of revolution contained in the Declaration of Independence. There was no need to spell it out on this occasion, and many of the restrictions are implicit. The oppressions must afflict the people generally; they must, therefore, be by a power alien to the generality of the people. And the right to revolt belongs, at the least, only to a majority, probably only to a consensus, and, ideally, to the people generally. This is to say that *a minority does not have a right to revolution*. The whole idea of a minority having such a right is shot through with contradictions. The minority could only effect this "right" by overcoming the majority. If a minority had a "right" to alter or abolish a government and to erect another in

its stead, it would be a "right" to impose its will on a majority.

Do minorities not have rights, then? Assuredly, they do, or so Jefferson and many of his contemporaries thought. All men have rights; but the recourse to revolution belongs only to the preponderance of the people. But suppose a minority (or, for that matter, a combination of several minorities) is oppressed and persecuted, what recourse do the members have? The Founders believed that the members of a minority have rights as individuals which should be protected in the system along with the rights of those who happen to belong to the majority or consensus. For example, they have the right to persuade others of the justice of their cause — that is, to become the majority. Freedom of speech and of the press are devices for assuring the opportunity of exercising the right of persuasion. But suppose all fails within the system to relieve the oppression? What is the ultimate recourse of a minority? The ultimate recourse of an oppressed minority is migration. The right to migrate for a minority is the corollary of the right to revolution for a majority.

Metaphysical Foundations

The right of revolution is metaphysical, not existential (and none may logically claim such a right

who have not a metaphysics on which to found their case). No government can, in practice, admit the right of its people to revolt against it at any time. The moment such a right is acknowledged effectively, the government abdicates its former power and another government takes its place. No governmental system can be contrived which provides for the right of revolution (though, interestingly, the right of migration can be established). The matter is as clear as it can be when it is seen that the right of revolution involves the right to take up arms against the government. A government ceases to be *the* government when men take up arms against it with impunity. The United States government can decree that the 4th of July is a national holiday — Independence Day —, and celebrations can be held in which the first two paragraphs of the Declaration of Independence are read, but the United States Constitution could not, and does not, incorporate within it the right of revolution. (It does, however, provide for turning out of office some of those who govern, at stated intervals, but the discussion of this can wait.) That is to say, again, the right of revolution is metaphysical, not existential, an explanation of which follows.

The right of revolution has its

being prior to, outside of, and beyond government. Jefferson was making his case within a tradition whose groundwork was laid long before. The Declaration of Independence had a past, then, which needs to be a little explored. The two main traditions appealed to are theism and natural law. The rights alluded to are said to be derived from "the Laws of Nature and of Nature's God," and ones with which "they are endowed by their Creator." If there were only history and present existence, no right to revolution could be established, for no government that ever did or does exist could or would accord it. The appeal to right, in this sense, requires an appeal to right that existed before history. It is an appeal to that which and He who was before governments came into being. Although our language has no tense for it, it is an appeal to the timeless and the enduring, to that which has no tense.

In this timeless sphere, Jefferson tells us, "all men are created equal," and are endowed by their Creator "with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness." This has been, no doubt, the most troublesome passage in the Declaration. What can it mean that all men are created equal? The most immediate meaning,

within the time context, is that Americans are equals of Englishmen. They had been contending for this since the dispute between the two had occurred. Americans had claimed that they had the same right to tax themselves as Englishmen, the same right to legislate, and eventually they claimed the same trading privileges. It was the failure of the British government to accord them equal rights which had provoked the dispute. The justification for revolt now became the fact that they had been deprived of their rights. This needs further discussion in terms of what men were to make of the phrase later. Before going into that, one other matter from the past needs to be considered.

The justification for revolt by the colonies was tied up with the institution of monarchy. Whether or not they would have their grievances redressed depended in considerable measure upon the will of the king. Hereditary monarchy had long posed a problem in political theory, at least for Western thinkers. Suppose the monarch were a tyrant? Suppose he imposed his will, in an arbitrary and despotic fashion, over the people? It had long been held, by some, that it was the right of the people to kill a tyrant. However attractive the idea might have been to some

Americans, they never seriously considered it. And for very good reason: it would not have settled the issues in contention. But the fact that they were ruled by a monarch gave the colonists a justification for revolution that is denied to those who live under elective executives.

Equality Before the Law

Returning to the matter of equality, it should be stated that the phrase "all men are created equal" had and has a much broader potential of application than to the simple proposition of the equality of Englishmen and Americans. Its meaning is fairly clear in the context: all men have an equal claim to certain natural rights. More, the case is implicit for equality before the law, that is, that the law shall deal with acts and not classes of people. Nor is there any reason to doubt that Jefferson believed this principle applied to blacks as well as whites, and that there should only be free men, not slaves.

Later in American history, some have read the Declaration of Independence into an idealistic framework. It is from this angle that some would see the Declaration as calling for continuing revolution and as a dream for America that is yet to be realized. Such notions separate the doctrines al-

most entirely from the context of ideas behind them as well as the temporal context in which they were written. Continual revolution is a nonsensical notion; within this context, at least, it could only mean a continual warfare over who is to govern. Jefferson based his argument on metaphysical propositions, not idealistic ones. The equality upon which he bases his position is one that has always been, not one that might someday be achieved. True, he declares that the purpose of government is to secure men their rights. It is surely true, also, that governments have most frequently not done this well. The point may be too abstruse to be readily grasped, but Jefferson was not saying that an ideal government would establish this ideal equality; he was saying that a government performing its *appropriate* function would do so. Of course, the phrases do not touch upon equality within society at all; they apply to equality before the law.

The theoretical justification of revolution contained in the first two paragraphs tells us only that there can occur situations in which a people may be justified in revolting against the authority over them. This is the case, we are told, when the government has consistently abandoned its role of protecting the people in their

rights and become the persistent violator of them. It is the burden of the body of the Declaration to show that the British government had done this to America.

The Case Against the King

The case is summed up in the next to last sentence of the second paragraph: "The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States." It should be noted here that all the acts are blamed upon the monarch. There was, of course, a reason for doing this as a tactic. Loyalty to the king was the tie that Americans had clung to the longest. It was the one which now must be disavowed and broken if independence was to be achieved. Some purport to see in this blaming of all the acts of the government upon the king disingenuousness by Jefferson and those who concurred in his formulations. The charge has little merit; the tactic is fully justified in British constitutional theory. By that theory, the acts of ministers are acts of the king. Even the acts of Parliament are acts of the Crown-in-Parliament. Moreover, the king had neither disallowed nor disavowed the acts in question, which he might have done. If there was

disingenuousness to be charged, it should be about the fact that they had delayed so long in laying upon the king the blame for what was happening. Colonists had, for a decade, blamed Parliament and ministers for what was happening. But this, too, is understandable; it was a means of resisting without revolt. Now the case could be stated bluntly, and the blame could be placed where it justly rested, in the final analysis.

In any case, the British government was indicted for its acts by a listing of them in the Declaration, acts charged to George III. Even a truncated version shows how weighty and damaging was the case against him:

He has refused his Assent to Laws. . . .

He has forbidden his Governors to pass Laws. . . .

He has refused to pass other Laws for the accomodation of large districts of people. . . .

He has called together legislative bodies at places unusual, uncomfortable, and distant from the depository of their Public Records. . . .

He has dissolved Representative Houses repeatedly. . . .

He has refused for a long time, after such dissolutions, to cause others to be elected. . . .

He has endeavoured to prevent the population of these States. . . .

He has obstructed the Administration of Justice. . . .

He has made Judges dependent on his Will alone. . . .

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

He has kept among us, in times of peace, Standing Armies without the Consent of our Legislatures.

He has affected to render the Military independent of and superior to the Civil Power.

He has combined with others to subject us to a jurisdiction foreign to our constitution. . . .

For quartering large bodies of armed troops among us.

For protecting them . . . from Punishment. . . .

For cutting off our Trade with all parts of the world.

For imposing Taxes on us without our Consent.

For depriving us, in many cases, of the benefits of Trial by Jury.

For transporting us beyond Seas to be tried for pretended offences.

For abolishing the free System of English Laws in a neighbouring Province, establishing therein an Arbitrary government, and enlarging its Boundaries. . . .

For taking away our Charters. . . .

For suspending our own Legislatures, and declaring themselves invested with Power to legislate for us in all cases whatsoever.

He has abdicated Government here, by declaring us out of his Protection and waging War against us.

He has plundered our seas, ravaged our Coasts, burnt our towns,

and destroyed the Lives of our people.

He is at this time transporting large Armies of foreign Mercenaries to compleat the works of death, desolation, and tyranny. . . .

He has constrained our fellow Citizens taken Captive on the high Seas to bear Arms against their Country. . . .

He has excited domestic insurrections amongst us. . . .

A case can be made, of course, that there is some hyperbole amongst the charges listed. Some of the acts were done only against selected colonies. One or two of them may have been mere potentiality. Some of the charges are repeated in slightly different formulations. Yet every one of them has substance behind it. The nature of the Declaration was such that an act done against one of the colonies could properly be considered as done against all of them. A jury charged with establishing the facts alleged in the indictment almost certainly would have found Britain guilty of all, or almost all, of the charges brought, after reviewing the mass of evidence that could have been assembled.

No Alternative

The Declaration of Independence was not suddenly sprung upon Britain and the world. The Ameri-

cans had not suffered abuse in silence, only to lash out in a fit of anger without warning. As Jefferson said: "In every stage of these Oppressions We have Petitioned for Redress in the most humble terms: Our repeated Petitions have been answered only by repeated injury." Not only had appeals been made to the king but also to the British people, or, as the Declaration says, "to our British brethren." But "They too have been deaf to the voice of justice and consanguinity."

But one course lay open to the Americans, then, and they were taking it. The final paragraph declares the independence of the states from Great Britain. The phrases of the concluding paragraph are, if anything, more felicitous than those of the opening paragraphs. The rhetoric, once again, rises above anything remotely petty or trivial to state the case for the ages. There is an appeal "to the Supreme Judge of the world for the rectitude of our intentions," and "in the Name, and by Authority of the good People of these Colonies." They "solemnly publish and declare" that they are "Absolved from all Allegiance to the British Crown," and that they are "Free and Independent States." "And for the support of this Declaration, with a firm reliance on the Protection

of Divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor.”

The Declaration of Independence has been celebrated but not because it contains a theoretical justification of revolution or because it indicted George III for the wrongs done the colonies. Americans have no more generally venerated revolution as a good than they have clung to an enmity with the British people. The message of the Declaration is that revolution is a thing to be avoided so far as can be done, and entered upon only under dire necessity. The results of revolution are too unpredictable to warrant its encouragement; the destruction it portends too likely for the casual contemplation of it as a means to good ends. Revolution is negative and destructive. Far from being a thing of great value, it is a devaluation of the political coin of the realm.

The Declaration of Independence has been celebrated for good and sufficient reasons, reasons other than those connected with revolution. It has been celebrated, of course, because it marks the beginning of independence. It marks, too, the inception — the birth — of a nation, though it probably had not been conceived at the time. It

was surely almost accidental that the very name by which this nation was to be called — the United States of America — appeared in the Declaration. It was only the statement of a hoped-for condition — “the united States of America” — when it was written.

The Declaration contains, too, a principled statement of the great purpose for which governments exist — to protect the people in the enjoyment of their rights. The first two paragraphs of the Declaration may be read and re-read — as they have been over the years — not as a justification or call for revolution but as a reminder of the good and proper ends of government to a people who have in their hands the control of the government over them. It contains, too, in its main body a list of abuses to which governments are prone. These United States had a goodly beginning, in spite of the revolution which was made. The good beginning was because of the great principles which were raised up before the people in the Declaration of Independence. ☉

¹ Quoted in John R. Alden, *A History of the American Republic* (New York: Alfred A. Knopf, 1969), p. 243.

² Nelson F. Adkins, ed., *Thomas Paine* (New York: Liberal Arts Press, 1953), pp. 43-44.

³ See Alden, *op cit.*, pp. 241-42.

Next: The War for Independence.

The Causes of INFLATION



HANS F. SENNHOLZ

IT IS NOT MONEY, as is sometimes said, but the depreciation of money — the cruel and crafty destruction of money — that is the root of many evils. For it destroys individual thrift and self-reliance as it gradually erodes personal savings. It benefits debtors at the expense of creditors as it silently transfers wealth and income from the latter to the former. It generates the business cycles, the stop-and-go boom-and-bust movements of business that inflict incalculable harm on millions of people. For money is not only the medium for all economic exchanges, but as such also the lifeblood of the economy. When money suffers depreciations and devaluations it invites government price and wage

controls, compulsory distribution through official allocation and rationing, restrictive quotas on imports, rising tariffs and surcharges, prohibition of foreign travel and investment, and many other government restrictions on individual activities. Monetary destruction breeds not only poverty and chaos, but also government tyranny. Few policies are more calculated to destroy the existing basis of a free society than the debauching of its currency. And few tools, if any, are more important to the champion of freedom than a sound monetary system.

Inflation is defined here as the creation of new money by monetary authorities. In more traditional usage, it is that creation of money that visibly raises goods prices and lowers the purchasing power of money. It may be creep-

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ing, trotting or galloping, depending on the rate of money creation by the authorities. It may take the form of "simple inflation," in which case the proceeds of the new money issues accrue to the government for deficit spending. Or it may appear as "credit expansion," in which case the authorities channel the newly created money into the loan market. The government may balance its budget, but in order to stimulate business and promote full employment it may inject new credits into the banking system. Both forms are inflation in the broader sense and as such are willful and deliberate policies conducted by government.

Ours is the age of inflation.¹ All national currencies have suffered serious depreciations in our lifetime. The British pound sterling, the shining example of hard money for one hundred years, has lost almost 90 per cent of its purchasing power and suffered four devaluations since 1931. The powerful U.S. dollar of yesteryear has lost at least two-thirds of its purchasing power and continues to shrink at accelerating rates. In the world of national currencies there have been nearly 400 full or partial devaluations since World War II. Many currencies have suf-

fered total destruction and their replacements are eroding again.

Ideas Shape Policies

To inquire into the causes that induce governments the world over to embark upon such monetary policies is to search for the monetary theories and doctrines that guide their policy makers. Ideas control the world, and monetary ideas shape monetary policies. Several distinct economic and monetary doctrines have combined their forces to make our age one of inflation. One doctrine in particular enjoys nearly universal acceptance: the doctrine that *government needs to control the money*.

Even many of the champions of private property and individual freedom stop short at money. They are convinced that money cannot be left to the vagaries of the market order, but must be controlled by government. Money must be supplied and regulated by government or its central bank. That money should be free is inconceivable to typical twentieth-century man. He depends on government to mint his coins, issue his notes, define "legal tender," establish central banks, conduct monetary policy, and then stabilize the price level. In short, he wholly relies on government regulation of money. But this trust in monopo-

¹ Cf. Jacques Rueff, *The Age of Inflation* (Gateway Editions, Henry Regnery Company, Chicago, Ill., 1964).

listic monetary authority operating through political processes inevitably gives rise to monetary destruction. In fact, money is inflated, depreciated, and ultimately destroyed wherever government holds monopolistic power over it.

Government Control of Money

Throughout the history of civilization, governments have been the chief cause of monetary depreciation. It is true, variations in the supply of metallic money, due to new gold and silver discoveries, occasionally affected the value of money. But these changes were rather moderate when compared with those caused by government coin debasements or note inflations. Especially since the rise of statism and the "redistributive society," governments all over the world have embarked upon unprecedented inflations the disastrous effects of which can only be surmised. To entrust our money to government is like leaving our canary in trust with a hungry cat.

From the Roman caesars and the Medieval princes to contemporary presidents and prime ministers, their governments have this in common: the urgent need for more revenue. The large number of spending programs such as war or preparation for war, care of veterans and civil servants, health, education, welfare, urban renewal, and

the like, places a heavy burden on the public treasury, which is finally tempted to provide the necessary funds through currency expansion. True, government at first may merely endeavor to tax wealth and income—tax Peter to pay Paul. But this convenient and popular source of government support is practically exhausted when Peter's income tax reaches one hundred per cent. At this point, for additional revenue, the government must either raise everyone's taxes or turn to currency expansion. But the former is rather unpopular and therefore inexpedient politically. To win elections, the taxes may even be lowered and the inevitable deficits covered through currency creation, i.e., inflation.

The Steps Toward Monopoly

The first step toward full development of this source of revenue was the creation of a *government monopoly of the mint*. To secure possession of the precious metals that circulated as coins, the sovereign prohibited all private issues and established his own monopoly. Minting became a special prerogative of the sovereign power. Coins either carried the sovereign's picture or were stamped with his favorite emblems. But above all, his mint could now charge any price for the coins it manufactured. Or it could reduce the precious metal

content of the coins and thus obtain princely revenues through coin debasement. Once this prerogative of sovereignty was safely established, the right to clip, de-grade, or debase the coinage was no longer questioned. It became a "crown right" that was one of the chief sources of revenue.²

An essential step toward gradual debasement of the coinage was the separation of the name of the monetary unit from its weight. While the original names of the coins designated a certain weight and thus afforded a ready conception of their gold or silver contents — pound, libra or livre, shilling, mark, and so on — the new names were void of any reference to weight. The pound sterling was no longer a pound of fine silver, but anything the sovereign might designate as the national monetary unit. This change in terminology widely opened the door to coin debasement.

The next step toward full government control over money was the passage of *legal tender laws*, which dictates to people what their legal money can be. Such laws are obviously meaningless and superfluous wherever the ordinary law of contract is respected. But where government wants to issue inferior

coins or depreciated paper notes, it must use coercion in the form of legal tender legislation. Then it can circulate worn or debased coins side-by-side with the original coins, falsify the exchange ratios between gold and silver coins, and discharge its debt with the over-valued coins, or make payments in greatly depreciated fiat money. In fact, once legal tender laws were safely established, debt repudiation through monetary depreciation could become one of the great injustices of our time. Contemporary jurisprudence and jurisdiction were utterly paralyzed in their defense and administration of justice once they accepted legal tender laws. A debt of a million gold marks thus could be legally discharged with one million paper marks that bought less than one U.S. penny. And a government debt of fifty billion 1940 dollars can now be paid or refunded with a 1971 dollar issue that is worth less than one-third of the original amount. With the blessings of the courts, millions of creditors can now be swindled out of their rightful claims, their property legally confiscated.³

But absolute government control over money was only estab-

² Cf. Elgin Groseclose, *Money and Man* (Frederick Unger Publishing Co., New York, 1961), p. 55 *et seq.*

³ Ludwig von Mises, *Human Action* (Yale University Press, New Haven, 1949), pp. 432, 444.

lished when money substitutes in the form of *paper notes and demand deposits* came into prominence. As long as governments had to make payments in commodity money, inflationary policies were limited to the primitive methods of coin debasement. With the advent of paper money and demand deposits, however, the power of government was greatly strengthened, and the scope of inflation vastly extended. At first, people were made familiar with paper money as mere substitutes for money proper, which was gold or silver. Government then proceeded to withdraw the precious coins from individual cashholdings and concentrate them in its treasury or central bank, thus replacing the classical gold-coin standard with a gold-bullion standard. And finally, when the people had grown accustomed to paper issues, government could deny all claims for redemption and establish its own fiat standard. All checks on inflation had finally been removed.

The Role of the Central Bank

The executive arm of government that conducts the inflation usually is the *central bank*. It does not matter who legally owns this bank, whether private investors or the government itself. Legal ownership always becomes empty and meaningless when government as-

sumes total control. The Federal Reserve System which is legally owned by the member banks is the monetary arm of the U.S. Government and its engine of inflation. It enjoys a monopoly of the note issue which alone is endowed with legal tender characteristics. Commercial banks are forced to hold their reserves as deposits with the central bank, which becomes the "banker's bank" with all the reserves of the country. The central bank then conducts its own inflation by expanding its notes and deposits while maintaining a declining reserve ratio of gold to its own liabilities, and directs the bank credit expansion by regulating the legal reserve requirements the commercial banks must maintain with the central bank. Endowed with such powers, the central bank now can finance any government deficit, either through a direct purchase of treasury obligations or through open-market purchase of such obligations, which creates the needed reserves for commercial banks to buy the new treasury issues.

The final step toward absolute government control over money, and its ultimate destruction, is the *suspension of international gold payments*, which is the step President Nixon took on August 15, 1971. When a central bank is hopelessly overextended at home and

abroad, its currency may be devalued, which is a partial default in its international obligations to make payment in gold; or, in an outburst of abuse against foreigners and speculators, the government may cease to honor any payment obligations, as in the case of the U.S. default. All over the world, government paper now forms 120 national fiat standards that are managed and depreciated at will.

The decline of monetary freedom and the concomitant rise of government power over money gave birth to our age of inflation. Step by step, government assumed control over money, not only as an important source of government revenue but also as a vital command post over our economy. The result is continuing inflation. Only monetary freedom can impart stability.⁴

Welfarism and Inflation

Even the noblest politicians and civil servants can no longer be expected to resist the public clamor for social benefits and welfare. The political pressure that is

brought to bear on democratic governments is rooted in *the popular ideology of government welfare and economic redistribution*. It inevitably leads to a large number of spending programs that place heavy burdens on the public treasury. By popular demand, weak administrations seeking to prolong their power embark upon massive spending and inflating in order to build a "new society" or provide a "better deal." The people are convinced that government spending can give them full employment, prosperity, and economic growth. When the results fall far short of expectations, new programs are demanded and more government spending is initiated. When social and economic conditions grow even worse, the disappointments breed more radicalism, cynicism, nihilism, and above all, bitter social and economic conflict. And all along, the enormous increase in government spending causes an enormous increase of taxes, chronic budget deficits and rampant inflation.⁵

The "redistributive" aspirations of the voting public often induce their political representatives in Congress to authorize and appropriate even more money than the President requests. Such programs

⁴ Cf. Ludwig von Mises, *The Theory of Money and Credit* (FEE, Irvington, N. Y., 1971), pp. 413 *et seq.*; Murray N. Rothbard, *Man, Economy, and State* (D. Von Nostrand Co., Princeton, 1962), p. 661 *et seq.*; also his concise *What Has Government Done to Our Money?* (Pine Tree Press, 1963).

⁵ Henry Hazlitt, *Man vs. The Welfare State* (Arlington House, New Rochelle, N. Y., 1969), p. 57 *et seq.*

as social security, medicare, anti-poverty, housing, economic development, aid to education, environmental improvement, and pay increases for civil servants are so popular that few politicians dare to oppose them.

The government influences personal incomes by virtually every budget decision that is made. Certainly its grants, subsidies, and contributions to private individuals and organizations aim to improve the material incomes of the beneficiaries. The loans and advances to private individuals and organizations have the same objective. Our foreign aid program is redistributive in character as it reduces American incomes in order to improve the material condition of foreign recipients. The agricultural programs, veteran's benefits, health, labor and welfare expenditures, housing and community development, Federal expenditures on education, and last, but not least, the social insurance and medicare programs directly affect the incomes of both beneficiaries and taxpayers. As the benefits generally are not based on tax payment, but rather on considerations of social welfare, these programs constitute redistribution on a nationwide scale. Foreign aid programs have extended the principle of redistribution to many parts of the world.

Whenever government expenditures exceed tax collections and the government deficit is covered by currency and credit expansion, we suffer inflation and its effects. The monetary unit is bound to depreciate and goods prices must rise. Large increases in the quantity of money also induce people to reduce their savings and cash-holdings which, in the terminology of mathematical economists, increases money "velocity" and reduces money value even further. It is futile to call these people "irresponsible" as long as the government continues to increase the money stock.

Labor Union Pressures

A very potent cause of inflation is the unrelenting wage pressure exerted by labor unions. It is true, labor unions do not directly enhance the quantity of money and credit and thus cause the depreciation. But their policy of raising production costs inevitably causes stagnation and unemployment. This is why the union strongholds are the centers of unemployment. Faced with serious stagnation, the labor leaders are likely to become spokesmen for all schemes of easy money and credit that promise to alleviate the unemployment plight. The democratic government in turn does not dare to oppose the unions for political reasons. On

the contrary, it does everything in its power to reduce the pressure which mass unemployment exerts on the union wage rates. It grants ever larger unemployment benefits and embarks upon public works in the depressed unionized areas. At the same time it expands credit, which tends to reduce real wages and to encourage employment.

The demand for labor is determined by labor costs. Rising costs reduce the demand, falling costs raise it. Inasmuch as inflation reduces the real costs of labor, it actually creates employment. When goods prices rise while wages stay the same, or prices rise faster than wages, labor becomes more profitable to employers. Many workers, whose employment costs heretofore had exceeded the value of their productivity so that they were unemployable, now can be profitably re-employed. Of course, this employment-creating policy is then counteracted by such unemployment factors as rising minimum wage rates, higher unemployment benefits and welfare doles, and rising union wage scales and fringe-benefit costs. In many industries, the labor unions have introduced "cost-of-living clauses" that aim to prevent the decline of real wages through monetary depreciation. Or their wage demands take into consideration the rising rates of monetary depreciation.

Their demands may become "exorbitant," their strikes longer and uglier, and the economic losses inflicted on business and the public ever more damaging until businessmen clamor for government wage controls. With wage controls come price controls and the whole paraphernalia of the command system.

The "New Economics"

To give "scientific" justification to the policy of inflation, a host of contemporary economists have developed intricate theories, commonly known as the *new economics*. Basically, they all ascribe to government the magic power of creating real wealth out of nothing, of raising the "national income" through minute efforts of the central bank and its printing presses. They are unanimous in their condemnation of the gold standard, which to them means domination by "external forces" and denial of national independence in economic policies. Of course, the "independence" they so jealously uphold is tantamount to government control over money matters. They want "fiat money," i.e., government money without restraint by a commodity such as gold. Though some would allow us the freedom to buy and hold gold coins or bullion, they know very well that the legal tender laws

that support the fiat standard deny us the right to use gold in economic exchanges, which relegates all coins to hoards and coin collections.

Only free money is sound money. This is why one should be suspicious of any and all proposals that would enhance the power of government over money. A currency reform, whether domestic or international, that does not endeavor to dismantle this power, cannot provide monetary stability. It is destined to lead to more inflation

and depreciation, to economic upheaval and decline. Sound money means the gold-coin standard; it makes the value of money independent of government, as the quantity of gold is independent of the wishes and manipulations of government officials and politicians. It needs no "rules of the game," no arbitrary rules people must learn or government must observe. It is born in freedom and follows inexorable economic law.⁶

⁶ Hans F. Sennholz, *Inflation or Gold Standard*, Constitutional Alliance, Inc., Lansing, Michigan.

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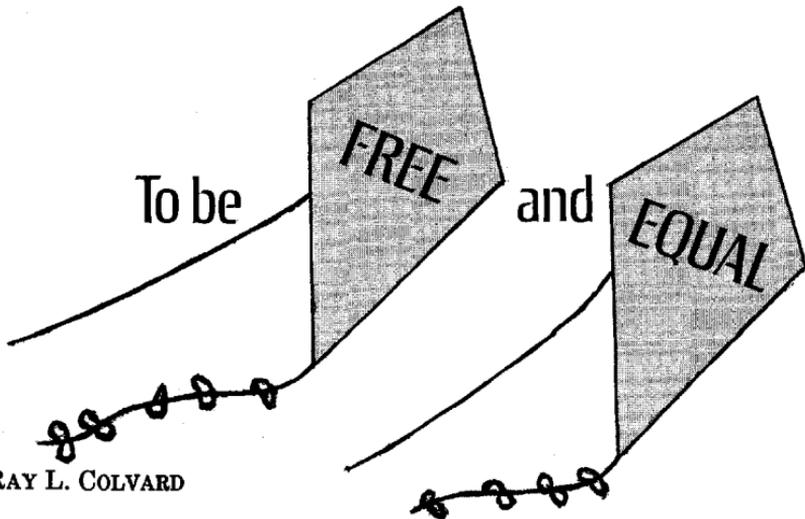
Frugality and Economy

Manifestly nothing is more vital to our supremacy as a nation and to the beneficent purposes of our Government than a sound and stable currency. Its exposure to degradation should at once arouse to activity the most enlightened statesmanship, and the danger of depreciation in the purchasing power of the wages paid to toil should furnish the strongest incentive to prompt and conservative precaution.

In dealing with our present embarrassing situation as related to this subject we will be wise if we

temper our confidence and faith in our national strength and resources with the frank concession that even these will not permit us to defy with impunity the inexorable laws of finance and trade. . . .

Closely related to the exaggerated confidence in our country's greatness which tends to a disregard of the rules of national safety, another danger confronts us not less serious. I refer to the prevalence of a popular disposition to expect from the operation of the Government especial and direct individual advantages.



RAY L. COLVARD

PERCEPTIVE STUDENTS of the freedom philosophy will note the absurdity of my title. Freedom and equality are opposed and contradictory points of the political economy. One extreme is the unshackled and unmuzzled autonomy of personal independence. The other is the leveling tit-for-tat security of collectivism. As individuals or as a nation we cannot have it both ways. One extreme is anarchy. The other is regimentation.

The demand for absolutes, for wanting it all, is an earmark of immaturity. We who would be adult are not surprised when we see an ill-tempered preschool child kick his new tricycle viciously, then scream in his tantrum of fury that "the bad thing hurt me." He is utterly frustrated by the at-

tendant consequence to him; *his* toe is bruised. His wails of anguish and rage are designed to bring parental compassion and, hopefully, a new toy to offset the "injustice" of his misfortune.

During the past few weeks at institutions of higher education in Southern California, a new year's glut of academic graffiti has appeared with slight variations in artistry and spelling. This is an example: I AM A PAWN IN THIS CAPITALIST CHESS GAME. When I see this particular epigram, I invariably think of an unruly child and his tricycle.

Doubtless I am biased by age if not by maturity. I tend to agree with Milton Friedman's concept of economics: "There is no free lunch." As a militant middle-of-the-road high school teacher I mistrust lobbyists for farm subsidies and advocates for welfare rights.

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Each man's right to be different is a right. James Madison delineated this point. Writing in the *National Gazette* in 1792 he noted:

... as a man is said to have a right in his property, he may be equally said to have a property in his rights.

When an excess of power prevails, property of no sort is duly respected. No man is safe in his opinions, his person, his faculties or his possessions.

Few of our youth, if allowed to choose individualism, will resign themselves to the "security" of mass equality. They, like the great Goethe, know "as soon as you trust yourself, you will know how to live." Not only do they see the satirical paradox in: "Be my brother or I'll kill you"; they see it as well in the vaunted revolutionary concept of Rousseau that individuals must "be forced to be free." The right of the individual to choose must include the right to choose unwisely. It follows, moreover, that a mature individual will accept the responsibility not only of choosing, but also of the consequences. In a free society each individual does what he thinks is best for him individually.

An acquaintance of mine retired from the Navy as a Chief Petty Officer in 1960. An uncle of his was highly critical. "Twenty

years in the service," the elder kinsman said, "and you're still only an enlisted man. My son's been in for just six years and he's a Lieutenant Commander."

During the ten years which have elapsed since the incident, the retired Chief has been a high school history teacher. Recently his uncle commiserated with him again for his lackluster showing. "You still stuck in the classroom?" the old man asked. "By this time you should be a principal." He is completely unable to accept the behavior of his forty-five-year-old nephew as rational. That the nephew may value satisfaction over prestige in his work is wholly incomprehensible.

Let Each Be Responsible for The Results of His Choices

My professor in an industrial management course described an accident which occurred in a cornstarch refinery several decades ago. An explosion in a partially filled railway car caused adjacent cars and loading platforms to be demolished. Fires spread throughout the area. Three workers were killed in the blast, a dozen seriously injured screamed in pain and terror. The manager was in shock, walking about muttering aimlessly: "What will I do? What will I do?" A dispatcher from the shipping office took charge. He

quelled the panic about to start, he sent out crews to fight fires, he organized rescue squads to get aid to the injured, he put men at work clearing paths for the fire trucks and ambulances which he summoned.

The professor concluded his lecture a few minutes early and left the room. I followed him to his office. "Look," I said, "I want to hear the rest of the story. Wasn't the manager fired; didn't the dispatcher get a promotion?"

"Of course not," he said. "The dispatcher, when it was all over, was still a dispatcher. That was his job. The plant manager was still the manager. Why not? He had a Ph.D. in chemistry and a Master's in Business Administration. He earned his position by ten years of university study, ten years of management training, and 'know-how' that saved the company ten million dollars every year. Both men were in their economic positions of their own free choice. Only in folklore would the dispatcher be jumped precipitously to the office of vice-president as the disgraced manager was stripped of his executive wash-room key and drummed in disgrace out of the company's gates. In industry prospective managers choose to become and become high salaried managers because they take on a responsibility to drive

themselves toward that ambition."

"I doubt that I'm that ambitious," I told him.

"Neither am I," he said. "I know it and I'd rather be here in the university. But there is an important point that you and I, the less intensely ambitious people, must remember: it's morally dishonest and intellectually shallow for us to blame anybody but ourselves for the responsibility of our choices."

Self-Respect Comes First

Three hundred years ago the philosopher, John Locke, told us: "He that would have his son have a respect for him and his orders, must himself have a great reverence for his son." Whenever I point the finger of scorn at my fellows I am acutely aware of the three remaining fingers pointing back to me. We who have chosen to work in the nation's schools are guilty three-fold in denying students freedom to choose. We arbitrarily determine performance levels for them; we defend our legal public monopoly of pedagogical services; and we demand compulsory attendance laws. Perhaps we need a greater reverence for the business we are in and a healthier confidence in our performance.

Although contemporary legal decisions have weakened the educa-

tional concept "in the place of a parent," the students who come into our classrooms are morally our sons—or daughters—and each of them deserves from us an individual acceptance as an independent, unique, and thinking personality. As teachers we must not beat them down to a placid level of mediocrity. Hopefully, we can, if we try enough, give each of them the elbow room of multi-lateral awareness, of diversified choice, of unlimited scope, of an unequivocal independent responsibility for his or her own self-realization. We can no longer afford the luxury of blaming an imperfect economic system for our own nonsuccess. As Voltaire wrote, "It is not the scarcity of money, but the scarcity of men and talents, which makes a state weak."

Faith in Freedom

The lack of faith of so many of us in schools, educators, and school

boards, weakens our teaching of personal responsibility by the ubiquitous trust we have in an awesome and benevolent government whose panacea is looming for all our ills. Voltaire, the man of reason, said something also for those of us who are looking to this powerful benefactor for support: "In general, the art of government consists in taking as much money as possible from one class of citizen to give to the other." It is unfortunately the commonplace for school superintendents to vie for the Federal bonanza. Their quest for "equality," at the cost of freedom, causes them to bus "Yellow" students to "Brown" neighborhoods and "Black" students to "White." Perhaps we should ask ourselves whether equality is a laudable goal or whether freedom of choice might not be more in keeping with the democratic principles in which we claim faith.

If we must err, please God, may it be on the side of freedom. ☉

The Fundamental Political Principle

IDEAS ON



LIBERTY

Now, the cardinal doctrine of any sound political system is, that rights and duties should be in equilibrium. . . . An immoral political system is created whenever there are privileged classes—that is, classes who have arrogated to themselves rights while throwing the duties upon others. In a democracy all have equal political rights. That is the fundamental political principle.

WILLIAM GRAHAM SUMNER
What Social Classes Owe to Each Other (1883)

STATUS

end product of welfare



MORRIS C. SHUMIATCHER

IN 1066, William the Conqueror proclaimed himself master of all of the lands of Britain he had taken and occupied — all of which he declared to be his property as lord, or his fiefdom as king. Feudal culture grew upon the premise and concept that all life should be ordered in accordance with the estate in land given to each man and the status thus acquired by him and his family.

Beneath the monarchical master who was king stood the lords, who acquired their lands from the crown and were therefore bound in loyalty to their sovereign. They were, of course, required to support the monarch with money in time of peace and with men and arms in time of war. The rights and duties of the lord *vis-a-vis* his king were fixed and certain. The lord's knights and men were likewise bound to do service and grant support, to receive and swear fealty to the lord and to the king. The lord, in turn, was bound to recognize the status of his knights and to accord them the benefits of that status in the feudal society. The serfs and vassals of the lord's

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estate in turn swore fealty to their lord. Theirs was an obligation to serve him in return for which they enjoyed the right to till the soil to which they were bound. Though technically a free man, the serf passed with the ownership of the land from owner to owner. He grew his grain on the lord's soil, ground his flour at the lord's mill, baked his bread in the lord's oven, and for these rights he paid a fee to the lord in terms of his labor.

The lords, the nobles, the knights, the serfs — all had their place in society, fixed by the customs of the feudal hierarchy. Stability was the criterion of the society that William and his successors sought to achieve and which, for five centuries, assured security to each class according to custom. Every individual had a place — and there was a place for every individual, but that place was, in fact, a prison. The bars of feudal society were the multitudinous rules and regulations which governed the daily life of all people. Each was bound by the invisible chains of his status that could not be altered. Each man's estate was determined not by what he did or what he was capable of doing or what he might wish to do. It was determined by where he was born, and when, and to whom. The clothing which each member of an estate could wear was regulated.

The games one could play, the homage to be received or rendered, the spouse one might take in marriage, the rituals one was required to perform — all of these were fixed and determined by rules from which there could be no deviation. Departure from the rules meant loss of status or ostracism, and failure to abide by the edicts of the church might mean denouncement, imprisonment, or death. All of the minutiae of life, from womb to tomb, were strictly regulated and religiously enforced by the feudal society. It might be the king's prerogative to travel through the country and enjoy the lord's bed and board, or the lord's right to sample his vassal's beef or his bride, or the knight's liberty to loot and plunder from an enemy.

A Break from Feudalism

The curtain of security that the feudal system and the medieval church had cast about all members of society was gradually torn away. Serfs and vassals and knights broke through that curtain and left the land and moved into the towns where they became artisans and tradesmen, merchants and dealers. Gradually, they entered the middle-class professions and some became members of a new class of bourgeoisie. They were able to work under contracts

which, for the first time, they were free to negotiate for themselves. Their status was no longer determined by the accident of birth. It mattered not who they were. What did matter was what they were able to do, and as a consequence they came to be recognized and rewarded for what they did. Their productivity determined the money return they could expect to receive for their services from their neighbors and fellow-burghers. Reward came not as a result of their status and the rights and obligations flowing out of that status, but as a result of what they knew and what they produced that was useful and salable. The free market replaced the rigid rules of the feudal estates. Free contract replaced fealty. Value, openly determined, replaced price arbitrarily ordered. The law of the marketplace came to displace the law of the feudal lord. Free competition eventually replaced legislated controls.

The new society was a less secure place for the individual than the feudal society had been. A man soon found that he ran the risks of failure and starvation. And if he did not succeed, he was likely to be abandoned, and might fall sick and die without so much as a crust of bread or the presence of a priest. Until there were established the guilds and friendly so-

cieties and brotherhoods of mutual assistance, this new freedom was a fearsome thing. Yet it was a challenging experience as well, and one which was welcomed by those who, for the first time, were free to pit their ingenuity and energies, not against the intransigent forces of a system that fixed in advance the limits of their own growth and development, but against natural forces which they might succeed in overcoming and turning to their own advantage. In the new game, the deck was at least not stacked against them from the outset; they had a chance to win. With knowledge, skill, persistence, and luck, an amazing number of men did succeed.

Release of Energy

Out of this new freedom from the strait jacket of status which had so long limited and strictly defined the rights and obligations of each class in society, there were generated new energies. Originality emerged, and innovations that enlivened an age which, for five hundred years, had fed only on the past. New trades and industries came into being. Enterprise and invention appeared. Exploration of new continents began. Science, which had been mired in superstition and darkness, made its first timorous appearance in Europe. The unyielding barriers that

for so long had classified and categorized all people began to crumble. With the breakdown of the feudal rigidities, men and women were free to move about the country and to choose occupations that theretofore had been barred to them. Literature and the arts entered a new era; with the end of feudalism came the awakening of the human spirit. Let loose were the latent energies of those painters and sculptors, poets and playwrights, composers and musicians, whose legacy reminds us that the Renaissance was an age not only in which the old rigidities of status disappeared, but one in which the flowering of man's spirit produced a great cultural treasure house after its long feudal hibernation.

What was the one overriding change that took place when feudal society crumbled and gave way to a new approach to life? The great legal historian, Sir Henry Maine, in his work, *Ancient Law*, stated that "the movement of progressive societies has hitherto been a movement from status to contract." It was the substitution of flexibility for fixed and unyielding human relationships. Primitive societies impose on individuals and on classes of people a system of law designed to perpetuate the values which those having power to impose it themselves embrace

or consider necessary. Such laws may not be of general application; as a rule they enunciate no abstract principles by which the individual may be guided in respect to his future conduct. More often the law consists of rules devised to deal with individuals or groups of individuals in respect of specific acts or relationships.

Three Principles for Laws

There appear to be at least three essential principles that ought to govern substantive laws in a society in which freedom of contract and not status governs the relationship among men.

The first principle: laws should, as far as possible, be general and of general application. They ought not to be designed for the purpose of regulating the special relationships between A and B as distinguished from relationships between all other persons. Neither should they attempt to apply one set of principles to class A persons and a different set of principles to class B persons. All persons, of whatever class or "status," should be treated alike, not only by procedural laws but by substantive law as well. It is in this context that the principle of egalitarianism takes on its most significant meaning. Laws ought not to make fish of one group and fowl of another. When laws are made es-

pecially applicable to one class of persons as opposed to another, it generally follows that since the act of legislating is not a creative one in the sense that it is capable of producing something new — but is only distributive in nature — what the legislature has done is simply to take from Peter and give to Paul. It is then not long before Peter will press for a compensatory law against Paul to redress the imbalance and right the injustice he considers has been done him.

Let us take a simple illustration. If the wages payable to one group in the community are fixed by law — as, for example, those paid to policemen or postmen or medical men — then injustice in the balance of the community is bound to result. If the wages of the one group are inordinately high as compared to those of other working groups, all persons in the community except the class enjoying the new higher wage level are penalized. If the wages fixed by law for the special group are inordinately low, then, of course, it is obvious that they are made the special marks for discrimination and have been unjustly treated. Or let us suppose that by law *all* wages are fixed according to a master wage plan. It is possible, though most unlikely, that any legislative body will ever possess the sublime knowledge or

wisdom to fairly legislate on so vast a subject. But even if such a body were able to equitably fix wage norms for all citizens, such legislation would be meaningless unless it also fixed by law the prices of all goods and commodities and services. Assuming the existence of a sufficiently wise and all-knowing legislative or administrative body to accomplish such an end, is it conceivable that equity could be achieved for all persons in our own country, dependent as it is upon its trade with a hundred other sovereign states, each presumably pursuing a policy of economic law-making designed to achieve the optimum in the fair distribution of goods among all of its own citizens by law? Surely, what the closed feudal society found it possible to achieve, by rules designed to preserve the status of each class only at the price of personal freedom, a world of nations dependent upon international trade and exchange is rather less likely to create within the context of a society committed to maintain some semblance of personal freedom.

**General Rules,
Applicable to Everyone**

The second principle that ought to govern substantive laws is that, in character, they should be general and abstract and should deal

only with situations that may arise *in futuro*. Such laws ought to lay down general or abstract principles, and they ought never to operate retroactively. Laws of general principle and of universal application are, as the Latin word indicates, the only true *leges*. These are to be distinguished from privileges, or private or special rights, which the Latin *privatum-leges* or *privilegium* describes. Privileges granted in special situations or to particular groups are bound to result in the deprivation of rights in all other situations and to all other groups. Only where virtually all members of a society agree that the granting of special privileges or rights to persons holding a particular status is desirable and in the interests of all groups ought they to be granted. If granted, they ought to be clearly defined as a special privilege. For a private right to one group of necessity imposes new corresponding burdens upon all other groups who are bound to respect it or give it effect. What is the privileged group's meat may well become the nonprivileged or underprivileged group's poison.

To illustrate, discriminatory laws against the Negro — in education, in employment, in the ownership or use of property — are of a character which cannot be supported in a free society for

they specifically deny to one group of persons within the community rights to which all other groups are admitted. The white man who claims a right to be free from the presence of black men in his neighborhood seeks to deny to the black man the same right which he asserts for himself. That right is the right to live where he wishes, and it is a right that ought to be enjoyed by all men regardless of their color. The determination of where each wishes to live ought not to be the subject of a penal law. If the black man wishes to purchase a house in the white man's neighborhood, it is an abridgment of his freedom to prohibit him so doing. If the black man wishes to send his children to the school in which the children are predominantly white, it is an assault upon the black man's freedom and, indeed, upon the freedom of all members of the community to prevent him from doing precisely that.

But if the black man is to be freed from the shackles of his color status, it cannot be by the coercion of the white man. The white man, no less than the black, is capable of being enslaved. Thus, it is no less an abridgment of the white man's freedom to deprive him of the right to sell or dispose freely of his property to whom-ever he chooses than it is to prohibit the black man from purchas-

ing any property from any person willing to sell it to him.

In the regulation of human affairs, decent human conduct can seldom be successfully underwritten by penal statutes. The state can give no guarantees that man will act understandingly with his fellow man. At best, governments can crystallize the sentiments and standards of conduct that the majority of the members of a community freely choose to accord to all men. It can provide guidance and incentives for such conduct. By its own example over a long period of time, it can influence the ways and mores of the members of society, as for example, by its own fair employment policies. The role of government is to open as many doors of opportunity as it can; it is then for the individual to choose whether he will enter.

Principles of Natural Justice

The third principle to which laws in a free society ought to adhere, both as to their substantive content and their application, is that at all levels those concerned with making or administering them should act in accordance with principles of natural justice and not according to personal whim, the transitory pressures of public outcry, or the conveniences of administrative officials.

It is today a fashion among

some legal theorists to declare that the law consists simply of the statutes as they have been enacted by Parliament and the legislatures, the municipal councils, and the great and burgeoning body of administrative agencies of government. Hence, it is argued, law is whatever men, acting as members of these bodies, declare it to be. Some academicians such as Dean Roscoe Pound and Mr. Justice Holmes gave this theory great currency in their writings and judicial decisions, and these have influenced many lawyers and judges in holding that whatever legislators state the law to be *is*, in fact, the law; that "whatever is is right." Theirs has been described as the positivist theory of law.

The positivist takes the position that it is within the sole and exclusive power of Parliament and the legislatures to determine the wisdom of the policy of any piece of legislation. It is not within the province of the courts to strike down any law or to hold it invalid simply because it offends the court's concepts of what is fair and reasonable. Parliament and the legislatures are the sole judges of the propriety of any statute. Only if legislation infringes the jurisdictional provisions of the Constitution will the courts declare a statute *ultra vires*. The positivist lawyer then seizes upon

this rule to support his position, since there exists no higher authority to adjudicate upon the validity of any law. Whatever the high court states to be the law is, in fact, the law. Of course the positivist lawyers, though they may be in vogue today, would not go so far as to argue that "whatever is is right." They would contend, however, that it is for the legislature alone to determine policy and to write the law. It is for the courts to apply it.

Conformity to Natural Law

But there is a growing body of thoughtful opinion that takes another view. If legislation does not conform to the principles of natural law or natural justice, then the judicial process may operate to have such nonconforming laws set aside and declared void and of no effect. While the principles of the common law go some distance in assuring that statutes and regulations are applied reasonably, it is also a cardinal rule that statutes must be interpreted to accord with the intentions of Parliament and not necessarily with the precepts of reason or fairness. Yet, where laws violate the principles of the Constitution, ample judicial power is available to the courts to set aside the offending legislation. Why may there not be imported into the Constitution the power of

a court to test a law according to standards of reasonableness, or according to the law's conformity to the values that society regards as vital to its preservation? . . .

Neither the judiciary nor the legislature, nor indeed the executive, enjoys any monopoly of wisdom or good judgment. The limitations of each are inherent in the nature of mankind. They are even more apparent in the business of statecraft than in the private affairs of men. By its very nature, the legislature is primarily concerned with the state — a corporate body, separate and distinct from the individuals who are a part of it. As the power of the state grows, it becomes the chief competitor of the individual for power and wealth and, of course, for final autonomy. The executive, as represented by the nation's vast bureaucracy, acts as the arm of the legislature in carrying out and applying the body of laws, in nature prohibitory, compulsory, confiscatory — all designed to regulate the conduct of the citizen. The legislators, who are presumed to represent the individual citizen no less than the executive of the state, in fact compete with the individual for such areas of free action as exist.

In the scramble for freedom, the need for independent arbiters to determine the boundaries as be-

tween individuals, on the one hand, and the state and its officials, on the other, becomes vital. Judges sitting in courts of law are capable of providing a forum in which the conflicting rights of the individual and the state may be determined with a degree of fairness likely to be found in no other place. Their decisions may not be free of error, but judges admit to error (something I have seldom heard any politician publicly do). Error, indeed, is recognized as a likely concomitant of the judicial process, hence the right to appeal to other courts of superior authority. Judges, by their long tenure, are made as free as it is possible to make men from extraneous influences and improper biases. On the other hand, the very *raison d'être* of the politician is his bias for or against policies that he formulated or that were foisted upon him before he was confronted with the facts, and often long before he entered public office. What, after all, is a party platform except a bundle of biases and popular preconceptions? In a court of law, the tyranny of the majority has no application. For consideration are only the rights and obligations of the individuals before it. Imperfect though judges and courts may be, they constitute the one institution in civilized society that is designed to seek to adjust

the rights and obligations of individuals among themselves, and of individuals in relationship to the state, upon principles that do not seek justification in the weight of numbers (as from an electoral majority), in the power of sanctions (as from the police power of the state), or in the influence—for good or ill—of status or wealth.

Freedom vs. Equality

A court of law will treat all parties who are before it equally. But it will not attempt to make all who are before it equal. Thus, judges, recognizing realities and in no way constrained to do what is popular—rather than what is right—avoid the politician's penchant to embrace the principle of egalitarianism when all of the observable facts belie its validity. The politician today has grown fearful of a free society because freedom has a way of encouraging diversity and compounding the "problems" of administering any political program. The more uniform the people of any society, the simpler it is for governments to control them and to maintain fixed standards of living and established norms of behavior. If men are free to do as they choose, disparities among them are likely to increase. Such a trend would be contrary to the most commonly expressed slogans of politicians that all "dis-

parities" — regional, class, color, personal — ought to be eliminated. Will Durant stated the proposition clearly enough: "Freedom and equality are sworn and everlasting enemies, and when one prevails the other dies. Leave men free, and their natural inequalities will multiply almost geometrically."¹

If equality were the *summum bonum* of society, restrictions without number upon man's freedom might be justified in order to render all men as nearly equal as human institutions and devices are capable of rendering them. But restrictions upon liberty that are imposed to attain equality do not necessarily result in achieving that end. More often, such restrictions produce simply a fresh variety of inequalities. At the same time, the loss of freedom deprives society of its most vigorous catalyst for growth without substituting any benefit in exchange. Hence the argument in favor of restricting freedom to attain equality among all mankind is a mere chimera and sham, more attractive as a rhetorical phrase than as a viable possibility. Our experience and knowledge of the revolutions in Russia and China show that those who justify the abridgment of liberty in the name of equality end up by themselves

monopolizing liberty and declaring, in the words of George Orwell's elite of pigs, that while all persons are equal some are more equal than others.

Freedom to Contract

We have observed that the struggle of free men against feudalism's concept of status was a long and arduous one. While it was underwritten by the natural desire of individuals to improve their lives by exercising their latent abilities, the concept of free contract found its rationale and justification in the principles of natural law. Its source was the ecclesiastical law. In the upheavals that saw the decline and demise of feudal society, the principles of the Old Testament and the power of the clergy played no small role. The appeal to natural law was heard in many places.

When Adam delved, and
Eve span,
Who was then a gentleman?

Such was the theme of a sermon in Nat Tyler's Rebellion.

Traditionally, there are certain basic "rights" to which a man is naturally entitled: the right to safety of his person, to liberty of his body, to his own good name, to freedom from malicious vexation by legal process, the use and enjoyment of his own property, the

¹ Ariel and Will Durant, *The Lessons of History*, p. 20.

right to pursue unmolested his trade or occupation. These are elements necessary to the individual in order that he may live as he may desire. Lord Denning stated: "What matters is that each man should be free to develop his own personality to the full; and the only duties which should restrict this freedom are those which are necessary to enable everyone to do the same. Wherever these interests are nicely balanced, the scale goes down on the side of freedom."²

"Natural law" has been given scant recognition by the courts in recent times save in relation to procedural formalities which must be adhered to by any person who decides anything that affects the rights or liabilities of others. In substantive matters, Parliament and the legislatures are regarded as the sole judges of what is right and just and reasonable. It is a theory that has more to commend it in the abstract than in practice.

Notwithstanding the unwillingness of courts of law to enter into this field, in 1957 the Quebec Appellate Court did recognize the substantive principles of natural justice in a case involving a suit against a school authority in which the right of parents to educate

their children was in issue. In my view, the *Chabot* case³ is one of the outstanding judicial landmarks of our time because it gave recognition to the idea that there are, or ought to be, certain areas in human relationships that stand outside the ambit of the state's lawful authority to control. It is a landmark, also, because here there exists the basis for a true marriage of philosophical ideals and legal principles between the provinces in which the common-law tradition runs, and the Province of Quebec whose dominant legal traditions are rooted in the French Civil Code. The *Chabot* case holds that the right of a parent to determine how his child is to be educated is inviolable; the parents and not the state have a paramount obligation for the child's upbringing and, accordingly, it is the parents' right to determine the school their child should attend. It is a right of which no government may deprive the parent.

Rights Dissolve into Status

Man is as much wronged when he is deprived of a society in which his natural rights may flourish as when he is deprived of an environment which lacks fresh air and pure water and sunshine in which his body may thrive. These rights

² Sir Alfred Denning, *Freedom Under the Law* (London: Stevens and Sons Limited, 1949), pp. 4-5.

³ *Chabot v. School Commissioners of Lamorandiere* (1957) 12 D.L.R. (2d) 796.

have traditionally been expressed as variations upon the basic theme of the individual's right of non-interference at the hands of the king or his minions: the right to be let alone, the right to be free of the overwhelming powers of the state.

But in recent times, this concept of the natural rights of man has undergone a metamorphosis. The freedom to be let alone has all but dissolved itself in the demands of the welfarist to be meddled with and cared for. The freedom to raise children according to one's conscience has disappeared in the welter of boards and agencies, school hierarchies, and teachers' federations, all of which claim such vast expertise and so profound a knowledge of pedagogy that they have succeeded in creating an educational system more expensive and more remote from the child's home and family than any hitherto produced by a civilized society.

Natural Rights

The freedom to negotiate and enter into agreements according to the best judgment of those who are parties to such contracts has disappeared in the overwhelming zeal of politicians to scrutinize, modify, and nullify their terms according to the exigencies of political popularity based upon such

esoteric principles as Canadian nationalism. The natural right of the citizen to deal with his property with the same skill and acumen he demonstrated in acquiring it is denied him by a higher, state authority whose capacity to produce, innovate, or invent has proven itself something less than outstanding.

The natural right to practice one's profession according to its traditional tenets, and to be restricted only by those rules that fellow practitioners, likewise trained and skilled, might impose, is fast disappearing with the state's aggressive policies against the learned professions in establishing such state-directed schemes as medicare. These whittle away the quality that, more than any other, has contributed to success in the practice of medicine — a relationship of confidence and trust between doctor and patient, free of interference, direction, or control from any branch of government.

Some now claim that natural rights mean the right to be fed, clothed, and housed by the state and at public expense; the right to be cured by the state when sick; the right to be entertained when bored; the right to be sent away on vacations when tired; the right to be protected against one's folly in making contracts; to be relieved

of one's carelessness in the abortion clinic; and to have one's unwanted children made wards or one's half-wanted children cared for at day centers. And for some of the more sophisticated, who claim it as a natural right to be among the new elite, there is the right to spend four years or more at a university campus to learn how to malign, with unimaginative and stereotyped obscenities, the society whose duty it presumably is to shower all of these blessings like rain upon the deserving and undeserving alike.

Who Are You?

Bills of rights and charters of human liberties may go some distance in restraining governments from zealously pursuing programs for what is euphemistically called general welfare at the expense of the individual's personal liberty and well-being. But in the last analysis, the extent to which governments will succeed in stifling human liberties will be determined by the philosophy of law that judges, sitting in their courts, are prepared to apply to the laws that threaten the individual's liberties. The bulwarks of liberty can only be constructed piecemeal and slowly, as individuals appear before the courts seeking to assert rights against specific abusive actions of the state.

We have travelled a long distance into the kind of society in which status plays the major role. Federal and provincial laws dovetail to classify all persons in a manner that freezes the position of each of us almost as effectively as did the feudal system nine hundred years ago. It is true that there exists no legal prohibition against moving from one stratum to another. But the incentives (or lack of them) encourage the individual to clasp, like some magic amulet, the rights (and disabilities) of the particular class in which he finds himself. A static society is the inevitable result. That is the kind of society that affords the highest degree of "security" for the citizen and causes least trouble to the state bureaucracy. Let us consider a few examples.

Are you an aged person? If so, your status places you in a special slot that entitles you to pension checks, and in certain places you become entitled to medical care, reduced public transportation fares, and other special allowances.

Are you an unemployed person? This status entitles you to claim upon the state for certain weekly payments so long as you are not offered alternate employment that suits you. If you follow the practice that the scheme in fact encourages, you will build up suffi-

cient reserves in the plan to take a holiday at the expense of the Unemployment Insurance Commission, whether or not you are actually unemployed and unable to find a job.

Are you an employee in a plant in which there has been certified a particular trade union? Then your status is strictly prescribed by the labor legislation under which the certification order was made. The terms and conditions of your employment will not be determined by you in your own personal capacity, or according to your own abilities, or even by the contract which you, personally, may have entered into with your employer. Neither is your productivity (unless you are paid upon a piecework basis, a principle rejected by most trade unions) the determinant factor of your earnings. The established trade union assumes the role of your agent and representative, and you are bound by the terms and conditions that are negotiated for you by its officers.

Are you a medical practitioner in a province which has adopted medicare? If so, your status is determined by act of the legislature; your schedule of fees is approved by the government, and every attendance upon your patient is scrutinized by the government computer system that is operated

by employees of the state. Your accounts are examined and approved or rejected by government employees, and your rights as the medical adviser of your patients are prescribed according to the regulations of the state commission.

Privileges Proliferate

If you are any of these, there are programs for you. And these came into being through the activities of pressure groups, organizations, and regional agglomerates which have made demands upon governments to meet special situations. But more often than not, the payments and subsidies and grants and allowances, most of which came into being for temporary *ad hoc* reasons, ultimately become permanent fixtures built into the fabric of the state that no politician dare discontinue. They are now coming to overwhelm citizens by their costliness. Like the proverbial white elephant the Emperor of Siam is said to have presented as a gift to the subject he was most solicitous to destroy, so Canada's politicians have been providing their special gifts in aid of every class and category in the country — each singled out for benefactions so expensive to maintain as to ensure its ruin.

No doubt, some of the programs in limited form can be justified.

But their proliferation results in the creation of privileges and rights based not upon what any individual is doing or has done but rather upon the status that the individual can persuade legislators he is entitled to claim. Not the least among the claimants are legislators themselves. Among the more extravagant in recent times was the status accorded Toronto aldermen when they voted themselves life pensions after five years' service on the metropolitan council. The value of each pension is estimated to total in excess of \$50,000. Their own contribution to the scheme is to be about \$3,600. The balance, of course, is to be loaded upon the backs of the docile taxpayers. Rights and responsibilities are based less and less upon what a person does and more and ever more upon who he is. The feudal principle of status has been revived under the guise of "progress." In fact, the principle is as retrograde as it is outrageous.

"So Long as the Sun Shines . . ."

Was this not the very same premise upon which the Treaties between the Queen and the Indian bands of Canada were drawn a hundred years ago? "So long as the sun shines and the waters flow," Indians and their descendants were promised the government's continuous benevolence and

care. The Queen promised that they and their descendants would be saved from pestilence and famine; their children would be educated; the medicine chest would always be at the agent's office to cure their ills. A special status was thus created not only for the Indians who signed the Treaties and their families who were then directly affected by their terms. This special status was to continue forever. In the result, Indians were reduced to the status of wards of the great Queen Mother. The legislation creating this special status was regarded as an act of benevolence and kindness. But in the result, the legislation had the effect not only of taking from the Indian his lands — this was a loss of comparatively minor dimensions — but also of taking away his independence, his self-reliance, his chance to succeed, and the possibility that he might fail.

The status of beneficiary in a welfare state especially designed for him robbed the Indian of all desire he might have had to create his own niche in the new burgeoning society that was in the making everywhere about him. In effect, the Indian traded his freedom for treaty money and the promise of perpetual care in the white man's happy hunting ground. Even the hunting became a thing that the white man was to

control and restrict. He was compelled to surrender suzerainty over the vast tracts of land that had been his. But instead of taking title to the new reserved properties in order that he might own and control them, the Indian accepted a hybrid kind of right to live on the lands designated and to use them collectively with others. This kind of property right was of little value in any practical sense. Legally, he might claim a right as beneficiary. But his was the child's right to use a public playground according to the rules made by his elders and betters. Just as playgrounds are said to be laid out and supervised in the best interests of the children, so it was the intention of the white man's government to designate and control the reserves in the best interests of the Indian. But although children grow up and leave their playpens, and one day reach maturity and manhood and come to occupy a place in the world of grown men and women, the Indian remained a child, hemmed about by the protective fences and the paternalistic rules of an unreal world. Protected as a child, he acted as a child. Suspected of immaturity, he remained immature. Sheltered from the risks and adversities of the outside world, he avoided the contests of competition, the disappointments of fail-

ure, the stimulus of success. The Indian too often still speaks as a child, understands as a child, thinks as a child. He has not put away childish things because he never has really matured. Our society condemns him to perpetual childhood.

The Indian's reserve is the feudal estate of our century. His presence is an anachronism of medieval times. This must be a matter of concern to us all because the Indian is our neighbor, and his frustrations and failures are things in which we all share. But his status has an additional significance for all of us because it casts the shadow of the future for every man and woman in our time and in our children's. His is the estate into which all of us are entering by virtue of the special status that we either seek as members of an artificially created class or are assigned by paternalistic governments. The result in both cases will be the same. The quality of life in the welfare state into which we have entered will eventually differ in no significant way from the welfare state in which the Indian has lived for a century.

Indians All

If we are concerned over the plight in which the Indian finds himself at this juncture of history, after a hundred years of state

welfarism, it may be appropriate to consider at the same time the condition in which the non-Indian population of Canada is likely to find itself after we have lived just half that period in the great welfare society that has been designed for the rest of the people of this country. Are the conditions of the welfare state in which every citizen has been enrolled in any significant way different from those which, for a century, have characterized the Indian's way of life? If the direction and regulation of the daily life of the Indian has brought him to his sorry plight, is there any likelihood that the same kind of policy, pursued nationally, will produce among the rest of us the kind of growth that we envisage for Canada's second century? This is hardly likely to be achieved unless there exists both within and without the reserve the kind of society in which a man can develop his independence and grow to maturity; where he will discover the motives and incentives that are lacking and that are so necessary to the growth of any self-reliant human being.

Where Does One Turn?

There was a time when such a society could be found outside the Indian reserves. That kind of society is now a vanishing phenom-

enon. The whole of our nation is fast becoming one great Indian reserve in which the agents of the state are directing our lives and destinies as certainly and as completely as they have been dragooning the lives and destinies of the Indian people for the past hundred years. It is now not simply a question of where the Indian can go to regain some self-respect and independence. The question is whether any of us can maintain his own self-reliance and identity as viable human beings in the face of the assault upon our lives by the power of the state. The welfare cult, to which almost all politicians appear to be committed in the mistaken notion that the individual wishes to be treated as a dependent child, has moved Canadians behind the protective shadows of an all-enveloping, maple-leaf curtain. To some, it may seem a welcome shelter from the adversities of the times. But as surely as it reduced the Indian to a state of slavish dependence and deprived him of his freedom to live as a self-sufficient human being, so it will cause us all to degenerate into mere digits whose only real existence will be found in the books and computers, the statistics and reports of the proliferating governments of this country.

My one hope is that the Indian may regain his soul and find his

independence in a free society wherever he may choose to build it. My great fear is that governments will succeed not only in holding to ransom the Indian's soul as it has held his property, but that before many years have passed it will make Indians of us all. Although the white man has not yet been reduced to the status of the Indian, he is well on the way to assuming that same status; all of us have become welfare-oriented.

Little wonder that almost every proposal that reaches the public from a political platform, whether concerned with Indians or non-Indians, repeats *ad nauseam* the need for more welfare rather than less, greater money payments rather than fewer, more government agents to the barricades rather than their withdrawal, more educational direction rather than freer choice. The concept of welfare has become so ingrained in the white man's way of life that it has become his overriding philosophy of life. It is the panacea for all ills. If there is poverty then naturally poverty can be cured by government money. If there is ill health, it can be eliminated by state-paid medical care. If there is ignorance, it can be dissipated by government schools. The fact, however, is that poverty and ill health and ignorance can-

not be eliminated simply by attacking their symptoms with a barrage of money any more than a case of measles can be cured by scraping off the pimples. As a fever can be fought off and overcome only by the body in which the illness resides, and only by the generation in that body of the strength and will to grow well, so the ills of poverty and disease and ignorance can only be cured by strength generated in the body of the individual who suffers from them. External palliatives, such as money grants, may seem to bring temporary relief to the patient, and they assuredly give a very substantial cushion of comfort to those who administer that relief. But they will not produce a healthy individual any more than they can foster a vigorous or viable community of men.

Where Lies the Hope?

There may be elaborate schemes proposed for the reparceling of lands or the redistribution of wealth as a result of which the impoverished Indian may be given a greater share. But the natural differences among human beings will reassert themselves, and in the end nothing is genuinely changed. The only way that real change can be achieved — the only genuine revolution that can change men's lives — emerges from the acquisi-

tion of new skills, the generation of positive motives, and the enlightenment of the human mind. The only true emancipation of the Indian can come with his development and growth as an individual. This kind of change requires time — many decades of it — and patience on the part of the Indian and the white man, and the kind of understanding that rejects simple solutions and instant answers.

Because of his own experience with the welfare state, no one in Canada today can testify more eloquently to the depressing results of that state than the Indian. Attractive though it might seem, it is the trap that ensnares the unwary. It promises the ideal of egalitarianism to the poor; it holds out the prospect of fair shares for all. The Indian, in his naïveté and ignorance, succumbed to these blandishments.

The rest of us, however, will have no excuse for our self-debasement. If we allow the Minister of National Health and Welfare to ensnare us further into the welfare state, because it is easier to computerize twenty-three million

people for guaranteed incomes than it is to face up to the need of exciting Canadians as individuals to the joy of earning their own incomes and guaranteeing their own futures, we will be skidding down the same sticky, tricky road that the Indian started down a century ago. We will end up in the same morass, the same dreadful decay. If this does happen, the white man will have walked into the slough of despond with his eyes wide open. He will learn that the blandishments of the great national bonanza can become only the bars of the new national Bastille.

The Indian knows this road only too well. His history is its map, and every trap bears witness to his suffering. At this juncture in our joint history, it is we who need the help of the Indian more than he needs ours. He can warn us that there will be no good hunting in a country whose government officials multiply faster than jack rabbits, for it will be found that all the cabbages we grow in this green and pleasant land will never be enough to satiate them.

IDEAS ON

Security May Betray Us



LIBERTY

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?

POWER THROUGH subversion

LAURENCE W. BEILENSEN must feel like the man who sees an automobile bearing down on a blind man and suddenly loses his voice. He wrote a book not long ago called *The Treaty Trap*, which tried to tell our statesmen that nations which depend on treaties for safety invariably discover that promises in international life only last as long as they prove convenient. In spite of Mr. Beilenson's warnings the quest for written assurances of *detente*, or arms limitation, or defined spheres of influence, goes on.

Meanwhile, as communiques are issued and treaties are signed, the nations continue to break their word in almost routine fashion. Save for those who are weak, all of them are guilty, whether they happen to be communist, capitalist or "middle way" socialist. In his second book, *Power Through Sub-*

version (Public Affairs Press, \$8), Mr. Beilenson explores the long and lamentable history of the various ways in which nations have tried to weaken each other as they pursue the game of balancing the power. Curiously, this is the first history of its kind. But who, as we seek a "generation of peace," will read it? Must Mr. Beilenson's larynx fail him again as the automobile moves toward the blind man?

Various "Blades" of Subversion

Mr. Beilenson begins by clarifying the ambiguous words he is forced to use. He speaks of the various "blades" of subversion. An "influencing subversion" will use the blades of propaganda, agitation or offensive terror to get another government to follow certain policies without actually trying to overthrow it. A "decisive subver-

sion" will employ an armed fifth column within an enemy state to change the government without actually using the means of external warfare. "Traditional subversion" is subversion before Lenin. "Spigot subversion" is when you turn it on and off. There is "auxiliary subversion," "opportunist subversion," "spotty subversion," the "Vergennes Variation," and the "Lenin Adaptation." The last is the worst, for, as Mr. Beilenson makes plain, it never sleeps and it never ends.

Lenin actually developed no new "blade" of subversion. He learned without benefit of Marx, by going to the history of Bourbon and Hapsburg Europe and by studying the way Napoleon spread the French Revolution. Traditional subversion, using such "blades" as bribery and the smuggling of arms, usually preceded the marching of armies. Britain employed "spigot subversion" to keep continental Europe off balance.

The Vergennes Variation

The Vergennes Variation was employed by France to help America. Vergennes expected no immediate benefit by sending arms to help the colonists defeat the British Gentleman Johnny Burgoyne at the Battle of Saratoga. The French foreign minister expected

that an independent republic in America would follow its own interest, even to the point of rank ingratitude. All he wanted out of the deal was to keep the British from deriving strength from America in wars still to come.

The young United States fulfilled Vergennes' expectation of ingratitude the moment when it became profitable to our Founding Fathers to sign a treaty of peace with Britain. A century and a half later Truman, Marshall and Acheson used the Vergennes Variation on their own to help France through Marshall Plan money and the NATO alliance. De Gaulle proved just as ungrateful as America's John Jay had proved at the end of the Eighteenth Century. But an ungrateful France, says Mr. Beilenson, is better for the United States than a Communist France.

The Lenin Adaptation

The Lenin Adaptation has made use of all the traditional blades. But where "traditional subversion" often ended in open war, Lenin used his own adaptation as a substitute for war. Lenin did not believe in an adventurous policy. He had a fanatic's fixation on preserving his socialist base. He believed that one could recognize a revolutionary situation, but he

made no pretense to being a prophet about timing. In 1948 there were revolutionary situations all over Europe. But the revolutions were either aborted or repressed. Since nobody could be sure about timing, Lenin believed in the long-term financing of foreign Communist parties, fronts and secret agents who would be on the spot if a revolutionary situation should become ripe. Khrushchev, who followed Lenin's strategy, couldn't have known that Castro would turn the anti-Batista revolution into a fullfledged Communist revolution. But the Communists had their party and their "sleepers" ready to exploit Castro's discovery that he had always been a Marxist.

What burns Mr. Beilenson up is that "bourgeois" statesmen can never seem to realize that Communist nations believe in having their mounts "well shod on all four feet" even when the talk is of *detente*, or co-existence, or peace. All Communist agreements are like pie crusts, made to be broken if a revolutionary situation develops. Ho Chi Minh waited for twenty years to take over in North Vietnam. Mao Tse-tung was willing to enter a coalition with Chiang Kai-shek in 1946, but when the Soviets gave him all those captured Japanese arms he

would settle for nothing less than the total defeat of the Kuomintang. Lenin signed the Treaty of Brest Litovsk with Imperial Germany to take Russia out of World War I. But when the Soviets opened an embassy in Berlin, they used it to spread subversion inside the country that had permitted Lenin to ride to the Finland Station in a sealed car. The Lenin Adaptation makes no connection with gratitude.

The Cautious Soviets

As Mr. Beilenson sees it, the Soviets, in using the Lenin Adaptation, err on the side of supercaution. If the United States hadn't been obsessed with Suez in 1956, Khrushchev would never have dared send his tanks into Hungary to suppress the revolt. The Soviet army had withdrawn from Budapest in fear that Britain and America might send help to the Hungarians. But when it became plain that Eisenhower and John Foster Dulles were giving priority to their dispute with England, France and Israel, the Soviet army returned to Hungary.

This does not mean that the Soviets will always be cautious. Lenin believed in the inevitability of war with the capitalist world, and if the Soviets ever thought they could win that war without

risk to the socialist base they would certainly fire off their missiles and send their armies marching.

The Not-So-Cautious Chinese

Mao Tse-tung's aphorisms are all paraphrases of Lenin's words. "Political power grows out of the barrel of a gun" is simply Lenin's "supremacy of violence." "Enemy advances, we retreat; enemy tires, we attack; enemy retreats, we pursue" is Mao's way of expressing Lenin's "doctrine of the situation." "Fight no battle you are not sure of winning" is Lenin's "caution about war" in Chinese. But Mao has been more adventurous than Lenin in risking his forces. After all, the Red Chinese invaded North Vietnam and have tried to capture Quemoy and Matsu.

Mr. Beilenson would like to see the United States develop an "American Adaptation" to be directed against Communist rulers who are trying to destroy our form of government. Alas, in our current state of mind, this won't be done. Our "advocates of a good-on-paper world" would consider American subversion a breach of international law. Our friends would welcome an American subversion, but we are too soft in the head to see it. Poor Mr. Beilenson.

▶ **MAN, ECONOMY AND STATE** by Murray N. Rothbard (Los Angeles: Nash Publishing Co., 1971, 987 pp., two-volume hard cover \$30, one-volume paper \$10)

Reviewer: Tommy W. Rogers

THIS is a welcome reissue of an excellent treatise which originally appeared in 1962. Rothbard develops the edifice of economic science in the manner of the old-fashioned "principles" approach—slowly and logically building an integrated and coherent edifice of economic truth from a few simple and basic axioms. First, the Fundamental Axiom of *action*—that men employ means to achieve ends, followed by two subsidiary postulates: that there is a *variety* of human and natural resources, and that leisure is a consumers' good.

Beginning with the immediate implications of the action axiom, Rothbard discusses various types of interpersonal and social relations; the economics of voluntary exchange, the economics of consumption, the pricing of consumer goods, and production theory. A "radical" feature of Rothbard's analysis of production is a complete break with the "short-run" theory of the firm and its replacement with dynamic Austrian theory of marginal value productivity and capitalization.

The author emphasizes the immense benefits accruing to all participants in the system of free exchange, and demonstrates the harmful effects of political interventions in the marketplace. A centrally planned economy, Rothbard observes, is a centrally *prohibited* economy. The concept of "social engineering" is a deceptive metaphor, since in the *social* realm, it is largely *people* who are being planned rather than machinery and resources. Furthermore, bureaucracy, incompetent enough at han-

dling a stationary system, is vastly more incompetent at planning a progressive one.

This book frankly takes off from Mises' *Human Action*, attempting to spell out some of the implications of the earlier work, but also devoting considerable space to the refutation of opposing doctrines. It has meat enough to satisfy the professional economist, but it is not beyond the thoughtful layman. A book like this one is indeed a basic instrument of economic education. 



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When men appeal from

T Y R A N N Y

EDWARD COLESON

to GOD

OPPRESSION is as old as mankind and unfortunately is still with us. A few decades ago we were certain that we were rapidly outgrowing this ancient affliction with the advance of civilization, but these hopes have not materialized. Still the quest continues. There are those who look back to a golden age of freedom and brotherhood in the past, while others seek to find their earthly paradise with the children of nature on a remote tropical island somewhere. It may be an interesting exercise of the imagination to dream up an idyllic state of nature where "noble savages" are truly brothers and they all live happily ever after. Yet, Rousseau and a lot of other romantic visionaries notwithstanding, there have been relatively few Utopias over the ages.

Hobbes¹ much more realistically described life in this state of nature as "nasty, brutish and short." It is not only that primitive man finds it difficult to satisfy his needs with his bare hands or crude tools, but that men prey upon each other. To Hobbes men were brutes so life degenerated into a perpetual condition of "war of every man against every" other in a struggle not just to survive, as Darwin would say, but to dominate his fellows. For man is possessed of "a perpetual and restless desire of power after power that ceaseth only in death." President Wilson pressed for "self determination" as a right of all peoples during World War I on the assumption that they wanted to rule themselves. According to Hobbes, they want to rule each other. Nor is this view unique.

Adam Smith² suggests that this

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lust for power may be the principal motive for slavery: "The pride of man makes him love to domineer, . . . therefore, he will generally prefer the service of slaves to that of freemen." In fact Smith couldn't find much excuse for the "peculiar institution" but this urge to dominate others. He was convinced that "work done by slaves . . . is in the end the dearest of any," for the slave "can have no other interest but to eat as much, and to labor as little as possible." He was certain that "the cultivation of corn degenerated" and became unprofitable under slave labor in ancient Italy and Greece. He observed that "a small part of the West of Europe is the only portion of the globe that is free from slavery," but that this small part "is nothing in comparison with the vast continents where it still prevails." Smith thus linked prosperity with freedom and believed that the human family paid dearly for the luxury of permitting a few to enslave their fellows. If slavery is immoral and uneconomic, how can we banish this ancient evil from the earth?

Total Tyranny and Split-Level Freedom

Historically, slavery has existed on two levels. Sometimes there have been slave states where almost everyone was subject to the

whim of a despotic monarch. Long ago the Near East had its rulers who could execute their subjects, even those about the throne, on command without even the pretense of a trial. Ancient Greece had its tyrants, too, who were often not much more restrained, in spite of all their democratic pretensions. We used to think that tyranny belonged to the dark ages of the past or to some primitive area of the earth inhabited by cannibals, but Joseph Stalin demonstrated that a ruler today can hold a nation in bondage as no ancient despot could have done. We are finding that the tools of modern science which we hoped would liberate us can most effectively enslave us, and perhaps we have seen only the beginnings of scientific despotism in the "Brave New World" of the future. Whether the masters who run the apparatus will get caught in the machinery and will also be enslaved is a good question, but historically it has been found that the other end of the slave's chain also bound the master.

The world has had considerable experience with societies which were presumed to be half slave and half free. The democratic Greeks attempted to operate at both levels, and the aristocratic masters of our Old South claimed all the "rights of Englishmen"

which they denied to their own slaves while they were fighting George III. Even slaveholders recognized their inconsistency and sought to have the situation remedied as they set up their new government. At the time of the Constitutional Convention, Colonel George Mason of Virginia, himself a slaveholder, condemned slavery, the great evil of his day, in words that were indeed prophetic:

The western people are already calling out for slaves for their new land. Slavery discourages arts and manufacture. The poor despise labor when performed by slaves. They produce the most pernicious effect on manners. Every master of slaves is born a petty tyrant. They bring the judgment of Heaven on a country. As nations cannot be rewarded or punished in the next world they must be in this. By an inevitable chain of cause and effect Providence punishes national sins by national calamities.³

The Foundations of Our Freedom

Our Founding Fathers quite properly had a bad conscience because of their own inconsistencies, for their claims to freedom were based on an appeal to a Higher Power, not just to some abstract principles as with the French Revolution a few years later. After all, their ancestors had resisted the tyranny of their rulers for cen-

turies by insisting that "the King is also under God and under the Law." The Puritans had even fought a war with Charles I a little more than a century and a quarter before our Revolution to maintain their God-given right to freedom. Patrick Henry later reminded George III that Charles I had had his Cromwell just as Caesar had had his Brutus, but the figure of speech was not appropriate. It would have been more fitting to remind His Majesty that David had had his Nathan, Ahab his Elijah, Belshazzar his Daniel, and Herod his John the Baptist, to name a few kings and their prophets; like Byron's "Prisoner of Chillon,"⁴ the Puritans were wont to "appeal from tyranny to God." This was more than a pious gesture or a political gimmick, more than high sounding rhetoric without any basis in reality. The Puritans were men of a Book and they found principles therein that applied to the Old Testament era and to the England of the Stuarts as well.

The typical oriental despot of the ancient Near East was a god-king, head of both Church and State. When religion was a powerful force, this gave his subjects no appeal from his authority. The Hebrew prophets resisted similar pressures from their rulers and never let them forget that "the

most High ruleth in the kingdom of men. . . ." (Daniel 4:25) This was the Puritan approach. In like manner a few hardy Germans more recently reminded Hitler, "Gott is mein Führer." Such thinking is so foreign to modern philosophy and legal theory that Hitler had his way with the German nation — to its ultimate destruction. But it has not always been so.

The men who founded our nation were very conscious of the concept of a Higher Law. It would not be an exaggeration to say our government was founded on this principle. Ten years before our "embattled farmers fired the shot heard round the world" at Lexington and Concord, William Blackstone began the publication of his famous *Commentaries on the Laws of England*, dedicated to the proposition that God is the ultimate authority. The colonists so avidly seized on his writings that a decade later Burke told Parliament, on the eve of the American Revolution, that there were more copies of Blackstone's *Commentaries* in the Colonies than in England.

It has been customary in the "debunking era" of the recent past to insist that our colonial leaders were not saints and that those who may have made any religious pretensions were more apt to be Deists than Christians. Certainly

there was a considerable influence from the Enlightenment on this side of the Atlantic, but at least Deists believed in God's Law. Even such a notorious enemy of the "religious establishment" as Voltaire is quoted as saying that if there were no God, we should have to invent one. By contrast, contemporary philosophers say, according to Harvey Cox,⁵ "If God did exist, we should have to abolish Him." We have come a long way since the founding of this nation and it has not all been uphill. If they did not always live up to the standards set by their own consciences, as in the case of slavery, they were still painfully aware of their shortcomings. They also believed in their accountability to the Judge of all the earth "God is not dead, nor doth he sleep," as Longfellow tells us in the familiar Christmas carol.

God's Law and Human Freedom

A significant but little-known development of the pre-Revolutionary era was the abolition of slavery in England. In 1765, the same year Blackstone began publication of his *Commentaries*, an obscure government clerk, Granville Sharp, met an injured slave on the streets of London near the office of his brother, a kindly physician. The slave had been severely beaten by his master and cast out into the

street to die. The Sharps eventually nursed him back to health and strength, and got him a job. That might have ended it all but the ex-master later saw his slave, now recovered in value, and attempted to get him back. When the slave resisted capture, he was thrown into jail; but Granville Sharp got word of it and had the man released because he had been arrested without a warrant, contrary to English law. When Sharp took the unfortunate man to his home for shelter, the master prosecuted him for theft of his slave.

In the ensuing litigation and other cases that came up in the next few years, Granville Sharp began pressing for the abolition of slavery. Although no lawyer and certainly no part of the ruling class, his propaganda campaign, largely directed toward the legal profession at this time, was so effective that the "King's Bench," the British Supreme Court, finally liberated all the slaves in England. This historic decision of Lord Chief Justice Mansfield was passed down on June 22, 1772, just two centuries ago. Said Mansfield, "Tracing the subject to natural principles (the Moral Law), the claim of slavery can never be supported." Actually, the number of slaves freed was relatively small, perhaps fourteen or fifteen thousand, mostly servants of retired

West Indian sugar planters, but it was a start. Here was a clear application of Blackstone's principle that the Law of God should be the ultimate standard.

Sad to say, Blackstone had not been that helpful in the protracted litigation: he was also concerned with previous legal opinions and property rights. After all, the market value of the freed slaves may easily have exceeded seven hundred thousand pounds sterling,⁶ no small loss to the slaveholding class. Nevertheless, it was Blackstone's doctrine of the Moral Law which was clearly basic to the decision, though the concept was neither new nor unique. John Wesley, the popular preacher of the day, said the same thing: "In spite of ten thousand laws, right is right and wrong is wrong still." Can it be that the law-abiding habits of the English people are rooted in the ancient conviction that there is an ultimate *right* and *wrong* which even the king is powerless to alter? With lawlessness threatening to destroy our nation, perhaps it is about time to re-examine the foundations of our legal code. Why should anyone respect law when he knows that too much of it represents the conniving of pressure groups, seeking to rig the market in their favor and to rook the rest of us?

The next success in the cam-

campaign against slavery was slow in coming and was largely the work of another, William Wilberforce. Unlike Sharp, Wilberforce was an aristocrat, a member of Parliament, and an astute politician. He was also recognized as a gifted speaker, even in an age of great orators. In spite of his obvious talents, Wilberforce almost left Parliament when he rather suddenly became a Christian convert of the Reverend John Newton, a former slave-trading sea captain turned preacher and author of "Amazing Grace". Wilberforce nearly decided that politics was unsuited to a Christian. At this crucial point in his career his friends enlisted him in the war against slavery, and the fight dominated the rest of his life.

The abolitionists chose first to attempt to stop the commerce in slaves across the Atlantic. Wilberforce gave his first great antislavery address in Parliament in the spring of 1789, introducing his bill for the abolition of the slave trade. Two months later, the Bastille was stormed in Paris across the Channel and the French Revolution was on. Unlike Edmund Burke, Wilberforce was enthusiastic about the changes coming in France ("Bliss was it in that dawn to be alive," said Wordsworth), and had high hopes that "Liberty, Equality and Fratern-

ity" meant freedom for the slaves.

The French Revolution and the Napoleonic Wars which followed no doubt hindered the English abolition campaign, but finally in 1807 Wilberforce pushed the anti-slave-trade bill through Parliament. The big job then was to enforce it. The Royal Navy policed the tropical waters of the Atlantic between Africa and the Americas, the notorious "Middle Passage," for the next half century and more until our Civil War effectively stopped the trade (the importation of slaves had been illegal here also for decades but smuggling continued as long as there was a market).

The British naval patrol operated out of the excellent harbor at Freetown in Sierra Leone, West Africa. Here the maritime court sat, and here captured slavers were brought for judgment. If they were convicted, they lost their ship and cargo, an assorted collection of several hundred Africans. The liberated slaves were settled in villages about Freetown to be civilized, educated and, hopefully, Christianized. English missionary societies invested many pounds and many lives in the venture. After all, this was the "White Man's Grave." Since the slaves came from any point along the Guinea Coast of Africa where they could be obtained, they were

very diverse linguistically and culturally. It was said that a hundred different languages and dialects were spoken on the streets of Free-town in those days. It was a costly project, and often a heart-rending one too; and the British stood to gain nothing in the transaction. Yet, Wilberforce and others continued to press the battle on every front in spite of continuing frustration.

The final victory in the English abolition campaign came long after the slave trade was outlawed. The remaining step was emancipation of the slaves in the British colonies, mostly plantation workers on the sugar islands of the West Indies. Wilberforce had grown old in the fight. He died in 1833 as the emancipation bill was making its way through Parliament, but he lived long enough to know it would be enacted. An interesting feature of the law being passed was the provision that the slaveholders should be compensated by the British government for the loss of their slaves. "Thank God," said the aged Wilberforce⁷ a few days before his death, "that I should have lived to witness a day in which England is willing to give twenty millions sterling for the abolition of Slavery."

Opponents of the bill and the faint hearted promised dire calamities when the law became ef-

fective on the first of August the following year (1834). Military reinforcements were sent to the Caribbean to maintain order, but they were never needed. As Ralph Waldo Emerson tells us, writing ten years later, everything went off smoothly:

On the night of the 31st of July, they met everywhere at their churches and chapels, and at midnight, when the clock struck twelve, on their knees, the silent, weeping assembly became men; they rose and embraced each other; they cried, they sang, they prayed, they were wild with joy, but there was no riot. . . . The first of August came on Friday, and a release was proclaimed from all work until the next Monday. The day was chiefly spent by the great mass of the negroes in the churches and chapels. The clergy and missionaries throughout the island were actively engaged, seizing the opportunities to enlighten the people on all the duties and responsibilities of their new relation, and urging them to the attainment of that higher liberty with which Christ maketh his children free.⁸

Good Works and Laissez Faire

The reformers who abolished slavery throughout the British Empire are a fascinating group, both for what they did and for what they believed. It is standard socialist doctrine that the men who made the Industrial Revolution in England, the laissez-faire

economists and practical businessmen from the time of Adam Smith through the reign of Queen Victoria, were a money-grabbing lot devoid of compassion and "social concern" (to use the contemporary jargon). No doubt part of them fit the stereotype perfectly; but there were many others who were Christian gentlemen, in the best sense of that much abused term, and used their wealth and influence for the good of mankind.

A recent writer, Robert Langbaum,⁹ has prefaced his book on the Victorian Age with an interesting contrast between the men who pushed reform in England, including the abolition of slavery, in the decades before and after 1800, and their grandchildren who belonged to the Fabian Society a century later and laid the foundations for the British welfare state as instituted by the Labor government of our own time. The former group, William Wilberforce, his relatives and friends, were devout Christians who used their political power — they had an influence out of all proportion to their numbers — to promote worthy causes. They also invested large sums of their own money in private charity. This "power elite," derisively nicknamed the "Clapham Sect" or the "Saints" by their political enemies, believed, said Langbaum, "in piety, reform of church and state,

moral action and laissez-faire economics." Their posterity a hundred years later (the famous "Bloomsbury Circle," including John Maynard Keynes) "disbelieved in religion and moral action, and did believe in government regulation or ownership of industry. . . ." Thus, too briefly, is described "the century-long migration of English liberal intellectuals from Clapham to Bloomsbury," from a Christian free enterprise philosophy to a secular socialism.

It should be remembered that to speak of the Bloomsbury Circle as the children of the Clapham Sect is no figure of speech; they came of the same distinguished families and were in fact the grandchildren and great-grandchildren of the Evangelicals who had been Wesley's disciples and who had successfully promoted so many reforms. Yet today, a multitude of Americans consider socialism as the moral and ethical alternative and laissez-faire capitalism as utterly unchristian. Obviously, someone is confused, then or now; or the question is irrelevant.

Protectionism Abandoned

What makes the problem so fascinating is that the next British attempt to promote the abolition of slavery, beyond continuing antislave-trade naval patrol, was

to no small degree the work of that arch free trader and free enterpriser, John Bright of the Anti-Corn-Law-League. Shortly after the last slaves were liberated in the colonies, a new propaganda campaign was launched in England to abolish protective tariffs. We don't commonly associate slavery and tariffs, but Frederic Bastiat, a French contemporary of Bright, connects the two in a famous passage, discussing the problems of the United States:

... look at the United States (in 1850). There is no country in the world where the law is kept more within its proper domain: the protection of every person's liberty and property. As a consequence of this, there appears to be no country in the world where the social order rests on a firmer foundation. But even in the United States, there are two issues — and only two — that have always endangered the public peace.

What are these two issues? They are slavery and tariffs. These are the only two issues where, contrary to the general spirit of the republic of the United States, law has assumed the character of a plunderer.

Slavery is a violation, by law, of liberty. The protective tariff is a violation, by law, of property.

It is a most remarkable fact that this double *legal crime* — a sorrowful inheritance from the Old World — should be the only issue which can, and perhaps will, lead to the ruin of

the Union. It is indeed impossible to imagine, at the very heart of a society, a more astounding fact than this: The law has come to be an instrument of injustice. And if this fact brings terrible consequences to the United States — where the proper purpose of the law has been perverted only in the instances of slavery and tariffs — what must be the consequences in Europe, where the perversion of the law is a principle; a system?¹⁰

Certainly Bastiat's words have been prophetic. Slavery nearly wrecked our nation in the 1860's and the Smoot-Hawley Tariff of 1930, following the Crash of '29, intensified the Depression and precipitated an international trade war that helped to bring on World War II. And the problem is still with us. John Bright did not help us rid ourselves of our tariffs, although he did do much to promote free trade for Britain in 1846 and thereafter; but he made a real contribution to our attempt to free the slaves at the time of our Civil War. We owe him much.

John Bright's Role

John Bright, a prominent member of a new generation of reformers that grew up with the passing of the Clapham Sect, makes an interesting character study. He was an earnest Christian, a humble Quaker who never outgrew the

little Meeting House which he had attended in his childhood. He was a self-made man, a successful cotton manufacturer from the Manchester area and long a member of Parliament; but he took his faith into his business and politics, and refused to compartmentalize his religion. When Bright¹¹ found free trade in the Scriptures and proclaimed, "As a nation of Bible Christians, we ought to realize that trade should be as free as the winds of heaven," the cynical could smirk that he stood to gain by the Repeal of the Corn Laws and free trade in general; to them he was just using religion to bolster his economic position. The criticism was not fair. It is true that when he promoted the repeal of the Corn Laws, he was a national figure and was exceedingly popular; but when he bitterly opposed the Crimean War a decade later, England turned violently against him. Still, he did not adjust his conscience to the whims of the passing moment.

The American Civil War was the real test of Bright's character. He abhorred war, although he was not a complete pacifist; he abhorred slavery also, but he was a cotton manufacturer and was well aware of the dependence of the Manchester area on Southern cotton. His good friend Richard

Cobden, with whom he had labored so mightily in the days of the Corn Law agitation, tended to favor the Southern free traders as against Northern protectionists; but Bright convinced him there were more important principles at stake. Many Englishmen openly sympathized with the South and there were enough incidents like the Trent Affair (the capture by a Northern naval commander of a British ship carrying a couple of Southern agents) to bring the North and England to the brink of war.

On the Side of Freedom

Queen Victoria's husband, Prince Albert, is credited with having helped to avert a conflict in this case, but he was fatally ill at the time and died soon afterward. It was John Bright who remained the constant friend of Mr. Lincoln's government throughout the war, although his self-interest as a textile manufacturer would have inclined him in the opposite direction. The American people expressed their gratitude, too, in a number of ways. Perhaps the most interesting tribute was contained in an address given by a distinguished American to a group of English school children after the war. He told them that, of course, American school children loved George Washington first of

all, then Abraham Lincoln, but John Bright¹² came third "because he is the friend of our country."

This friendship should not be minimized because it is quite obvious that the North had about all it could handle in defeating the South without European intervention. Had Britain gone to the aid of the Confederacy, it would no doubt have changed the course of history. And it was the English conscience, the deep-seated opposition to slavery throughout the nation, that tipped the balance in favor of the North. Once again the English were prepared to pay for their convictions, this time in widespread unemployment, particularly in the cotton mills, and economic distress for the nation. But freedom is more important than prosperity, when that is the choice.

Conscience and Laissez Faire

The freedom story is fascinating, but one can read it as a human interest story and still miss the point. Present-day scholars who know of the mighty labors of a couple or three generations of free enterprisers who sought to rid the world of the blight of slavery long ago, tend to feel that the English abolitionists were inconsistent. If *laissez faire* means non-interference by government in

business, then why should the slave business have been singled out for destruction. Of course, those who raise such questions today are not defending slavery but questioning the logic of *laissez faire*.

This is an exceedingly important consideration because it reveals a total lack of comprehension by our contemporaries of the motives and philosophy of those engaged in that earlier effort. If Wilberforce, Bright, and their associates had been anarchists, the point would be well taken; then all they could have done consistently would have been to wait for slavery to wither away of itself as the Soviet government is supposed to do some day. While it is true that there are and have been *laissez-faire* anarchists over the years, these abolitionists cannot be so classified; nor was Adam Smith, the father of the free enterprise tradition, out to abolish government.

Smith did want to do away with the innumerable and senseless mercantilist restrictions so characteristic of his age, because he was certain that they reduced productivity (which they were intended to do) and hence resulted in needless poverty and suffering. But Smith's¹³ "obvious and simple system of natural liberty" was based on "the laws of justice" (the Mor-

al Law); he was no anarchist. He believed, as did many of his contemporaries, in a natural harmonious order; that God had so arranged His Creation that "all things work together for good," if we but obey Him (Romans 8:28). If this is true, the endless attempts to rig the market and rook the neighbors were unnecessary, immoral, and a cause of needless conflict. As Bastiat¹⁴ asked, "How could God have willed that men should attain prosperity only through injustice and war?"

Mercantilism, ancient and modern, is based on the "frightful blasphemy," that God has so ordered the world that the right is impractical, common decency is suicidal, and the oppression of the weak and helpless is good business. This view Adam Smith and his followers emphatically rejected on philosophical and ethical grounds. While they might disagree as to how much government is necessary and appropriate, they did agree that slavery is contrary to the Higher Law and should be abolished. To them it was bad business and worse morals.

Christian Gentlemen

It may seem preposterous to a multitude of people to speak of the laissez-faire economists and practical businessmen of the Industrial Revolution as Christian

gentlemen much concerned with reform. According to the popular notion, as T. S. Ashton¹⁵ tells us, "... the course of English history since about the year 1760 to the setting-up of the welfare state in 1945 was marked by little but toil and sweat and oppression." There was some of this certainly, but this is only part of the story. A contemporary historian, Earle E. Cairns,¹⁶ writing of Wilberforce and the Clapham Sect in the decades before and after 1800, insists that they accomplished more of a constructive nature than any reform movement in history and there were others who followed them who accomplished much also.

Then why the very bad reputation of this era? Certainly few periods of history are more notorious than the early Industrial Revolution. Generations of Socialists blackened the good name of these men who did have their failings and this age which did have its problems. Some of their bitterest critics were their own grandchildren, the Bloomsbury Circle. Today, sadder and wiser, we realize that we could certainly learn much from them, if we would forget our prejudices long enough to examine the record. Indeed, a contemporary scholar, Karl Polanyi,¹⁷ tell us that the four great institutions of the nineteenth century — the balance of power, the

gold standard, the market economy and limited government — “produced an unheard-of material welfare” and also “a phenomenon unheard of in the annals of Western civilization, namely a hundred years’ peace” (1815 to 1914). He is, of course, aware of the Crimean War and the Franco-Prussian War, for instance, which he regards with some reason as fairly minor disturbances (since he is speaking from a European point of view, the American Civil War doesn’t count). It should be added also that Polanyi is a Socialist, according to his own testimony, so his kind remarks about Capital-

ism take on additional significance.

Perhaps we have come full circle back to our beginnings, as one Englishman wrote recently: “In our own unpleasant century we are mostly displaced persons, and many feel tempted to take flight into the nineteenth as into a promised land. . . .” Retreating to the past is clearly impossible, if it were desirable, but we can face the future with courage, as did our Fathers, and take as our motto John Bright’s slogan: “In working out our political problem, we should take for our foundation that which recommends itself to our conscience as just and moral.”

• FOOTNOTES •

¹ Michael Curtis (ed.) *The Great Political Theories*, Vol. I, from Plato and Aristotle to Locke and Montesquieu, pp. 296-302.

² Adam Smith, *Wealth of Nations* (Modern Library edition), p. 365.

³ Garett Garrett, *The American Story*, p. 87.

⁴ Lord Byron, “On the Castle of Chillon.”

⁵ Harvey Cox, *The Secular City*, p. 61.

⁶ Edward C. P. Lascelles, *Granville Sharp and the Freedom of Slaves in England*, p. 27.

⁷ Sir Reginald Coupland, *Wilberforce, a Narrative*, pp. 516-517.

⁸ Emerson’s *Essays* (Modern Library edition), pp. 839-840.

⁹ Robert Langbaum, *The Victorian Age*, pp. 9-10.

¹⁰ Frederic Bastiat, *The Law*, pp. 18-19.

¹¹ Asa Briggs, *Victorian People*, p. 207.

¹² George Barnett Smith, *The Life and Speeches of John Bright, M.P.*, Vol. 2, pp. 113-114.

¹³ Adam Smith, p. 651.

¹⁴ Frederic Bastiat, *Economic Sophisms*, p. 88.

¹⁵ F. A. Hayek (ed.), *Capitalism and the Historians*, p. 32.

¹⁶ Earle E. Cairns, *Saints and Society*, p. 43.

¹⁷ Karl Polanyi, *The Great Transformation*, pp. 3-5.

Pollution and Property

OSCAR W. COOLEY

IN ALL THE WELTER of worry about "the environment," seldom is property and its relevance to pollution mentioned.

To own property is to have a measure of control over a definable portion of one's environment. If one has property, he has a degree of power to prevent his environment from being despoiled. Indeed, the purpose of property, it seems, is to enable man, the owner, to bring environment under control and make it yield up a maximum of satisfactions.

It has often been noted that people pollute least — that is, take best care of — that part of the environment which they themselves own. The householder is more solicitous of the home he owns than the renter is of the house in which

he is but a temporary tenant. A family which, on a picnic, might leave litter in a public park and beer cans by the roadside will not dump waste on their own front lawn.

Is it possible, one might ask, for an owner to "pollute" his own property? To the extent that it is his to utilize as he sees fit, whatever he does with it will be, in his view, its best use. And when a resource is being put to its best use, it can hardly be said to be "polluted."

If I deliberately pipe sewage into a pond on my own land, presumably I consider using the pond as a cesspool to be its optimum use. Hence, there is no abuse, no pollution. If however, either purposely or inadvertently I allow my sewage to flow into a neighbor's pond, against his will,

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I am without question polluting. I am lowering the value of his property. The obvious remedy is for him to assert his property right and ask me to cease; if I do not, he may ask the public authorities, a major function of which is to protect his and everyone's property rights, to enjoin my action. This is the normal way in which property is protected in a civilized society.

It does not follow that in the case cited the neighbor would, invariably, bring an action against the polluter of his pond. This depends, on the one hand, on how much damage he is suffering or about to suffer from the pollution, and on the other, on how much it will cost him to get the matter corrected. If the damage is trivial, he will not press the matter; or if he does, his case probably will be dismissed. Even if the damage is considerable, the cost of proving it might be greater, in which case he would endure it as an unavoidable "neighborhood effect" or minor externality.

A Private Lake Erie?

If, now, the pond is Lake Erie and has no specific owner, but is said to be "social property" or "in the public domain," people will take a quite different attitude. To pollute it is to injure well-nigh everyone in general but no one in

particular. "Everyone" does not go to court and seek injunction. Hence, it seems one may pollute this "pond" with impunity, there being no owner to object. And so it becomes a public sewer.

As such, it is at first very useful, for the dilution is so great that no harm is evident; but as the sewage content of the water increases, injury is done to those who would drink the water, to would-be bathers, to fishermen whose catch dwindles, to hunters of waterfowl, and even to people who live along the banks. None of them takes action, however, mainly because he does not consider that he owns that body of water. He does not consider that it is his to utilize and that he can therefore exclude — and enlist the State to help him exclude — all others from its use. In short, Lake Erie is unlike the farm pond, it is not private property. That is why it is polluted. It is public domain, and the public domain easily becomes a public dump.

If, now, Lake Erie were converted into private property — let us assume it becomes the recognized property of the "Lake Erie Company," which proves itself the legal heir of those who bought it from the aborigines — we would have a quite different situation. The company would want to maximize income from the lake, as from

a tract of owned farm land, residential property, forest, coal-bearing land, or other asset. It might do so by selling rights to fish, to sail, to bathe, to transport passengers or freight, and by selling water to cities. It would undoubtedly improve its property by stocking with desirable species of fish, deepening ship channels, improving beaches, and so forth.

The owner would naturally strive to conserve its lake property in the most practical ways possible, so that it would reap a generous income, both now and in the future. At the moment, it might pay to sell to the cities along the lake the right to use it as a sewer; but this would threaten the future income to be gleaned year after year from the fishermen, bathers, shippers, boaters, drinkers, and other potential users. Only if the cities would pay the company a sum greater than the present value of all the streams of anticipated future income would the lake be turned into a sewer; and that, one may surmise, would cost such cities as Cleveland and Toledo a pretty penny.

In all the voluminous literature of conservation,¹ seldom is it pointed out that only under pri-

vate ownership are the resources of the earth most fully conserved, since it is the private owner who has the keenest incentive to maximize his returns *in future* as well as at present. This is because the private owner is conscious of having sacrificed to get his property, a fact which has indelibly impressed upon him that it is a scarce good, to be carefully husbanded. Public property, on the other hand, is regarded by the public as a "free good," unlimited in amount both now and forever. Since it belongs to everyone, no one person can prevent others from using it. Hence, each reasons that he had better get his while the getting is good, that is, now. The result, far from conservation, is rapid exploitation and waste. The prevention of pollution is, of course, but a special case of the general principle of conservation.

Correction by Law

Environmentalists are wont to visualize land, water and air being protected and conserved by police action. Laws will be enacted — wise laws, enacted by socially minded legislators who somehow are gifted with the knowledge of just how each natural resource should be utilized to achieve the greatest good for the greatest number, both now and in the future. These laws will set the private, profit-seeking,

¹ An exception is *Exchange and Production: Theory in Use* by Alchian and Allen (Belmont, Calif.: Wadsworth, 1969) p. 563.

polluting entrepreneur back on his heels. Once such laws are passed and enforced, the problem of pollution will melt away. This is the politician's solution to what is essentially an economic problem.

Undoubtedly, changes in the laws are needed. Certainly we need changes which will spell out and define the rights of property owners more clearly and specifically than has been done up to the present. For example, just what are the property rights in a flowing stream? In a body of shifting air? In the ocean deep? In the fish that swim, birds that fly, animals that wander now largely at will about the environment? The present laws of property are concerned mainly with the solid land, but this constitutes only about one-fourth of the earth's surface and represents an even smaller fraction of her resources.

Gordon Tullock in his booklet, *The Fisheries . . . Some Radical Proposals* (Columbia, S. C.: Univ. of South Carolina) now out of print, foresees the privatizing of the ocean fisheries. Once the ocean, at least the shallower parts of it, is divided into privately owned plots — and Tullock suggests in some detail how this might be done — it will be “farmed” much more productively than it is at present, he believes.

There was a time when man al-

lowed the land to produce what it would — animals, birds, trees, fruits — and he hunted the product. But it was a laborious and hazardous business, and one may imagine every family ranging over many square miles to bag a living. Then, man learned to domesticate animals and to till the soil and grow crops. This vastly increased his production. But as to fish and other sea wealth, both organic and inorganic, we are still largely in the hunter stage. We have harnessed only a small fraction of the earth's resources, yet we are already obsessed with the threat of over-population.

The Origin of Property Rights

As man evolved from hunter to herdsman to tiller, he devised property in land, for only as each could exercise control over his little corner of the environment could he be sure of reaping where he had sown. As Harold Demsetz² puts it: “Property rights arise when it becomes economic for those affected by externalities to internalize benefits and costs.” He cites Eleanor Leacock's study of the Indians of eastern Canada. In early days, when they hunted merely for food and a few furs for themselves, conservation of wild-

² In “Toward a Theory of Property Rights,” *American Economic Review*, May 1967.

life did not pay, and hence they hunted far and wide, recognizing no property in land. But when the white men came and the fur trade became profitable, hunting lands and even individual beaver houses were allotted to families. In the language of economics, they internalized external costs and benefits. The cattle grazing industry acted similarly when the cattlemen discontinued the "free range" and fenced their individual holdings.

Man has been slow to define property rights in water and air, not only because of its seeming inexhaustibility, but also because of its fluidity. It is recognized, however, that an owner has a right to pure water on his land, even though it flows from his neigh-

bor's land. In like manner, a householder has a property right to pure air over his house and lot, for what would the latter be worth if overlaid with a vacuum? The growing insistence that power plants, steel mills, and the like cease polluting their neighbors' air is a recognition of this right.

To pollute my neighbors' land, air, or water is to trespass on his property. The rights of property need to be more sharply delineated and respect for them intensified. For maximum protection and conservation, resources now said to be in the public domain should be re-assigned to the private domain.

Not the socialists but the capitalists have the solution to pollution! 

Social Reforms

SOCIAL REFORMS which require the citizen to depend too directly on his government for food, occupation, employment, crops, clothes, and homes, compel abrogation or abandonment of constitutions and bills of rights . . . The false laudation of the strength of these instruments naturally creates an impression that they constitute an unbreakable barrier against oppression. But nothing could be farther from the truth. They are futile in every respect if the general principles of government are not observed. They have value only in an economic structure of free enterprise and private property.

IDEAS ON



LIBERTY

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

11

The War
for Independence

IT WAS ONE THING to declare independence; it was another to acquire it. It was one thing to rebel against British rule; it was another to bring off a successful revolution. It was one thing to make war; it was another to win it. It was one thing to deny the old authority; it was another to establish a new rule. The pledge which closes the Declaration was one to be taken seriously; those who signed it committed their "Lives," their "Fortunes," and their "sacred Honor." True, those who gathered around to sign the document engaged in some bravado. John Hancock scrawled his name large enough that the king could read it without his spectacles. When reproached with the fact that there were enough people by the same name in his state to assure him virtual anonymity, Charles Carroll from Maryland added "of Carrollton" to his signature, noting that there was only one man who would fit that description. But the task that lay ahead required endurance and tenacity to match the decisiveness just exercised.

The difficulties confronting the Patriots — for so those who favored independence have been most

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commonly called — were numerous and resistant to resolution. One such difficulty is frequently ignored by revolutionists, though failure to deal effectively with it thwarts the purposes for revolt; for the American colonists it was to see that the revolt against England did not turn into a revolt against all authority. The usual course of revolution is for a breakdown of authority to follow the repudiation of the old authority. When this happens, there ensues an often brutal contest for power, accompanied by the disintegration of society, bloodletting, and the development of well-nigh irreconcilable divisions among the people. Power is usually consolidated once again and order restored by an autocratic rule. The object for the original revolt, however noble, is commonly lost from sight as the yearning for order supersedes the quest for the good society.

The deepest source of the disintegrative impact of revolution no doubt lies in the human condition itself. What man is there who would not like a fresh start, who would not like to be free of his debts, who would not like to be relieved of the tangle of duties and obligations in which he finds himself, who would not relish the opportunity for starting over. Revolution appears to offer such an inviting prospect. As he made his

way home from the First Continental Congress, John Adams encountered a man fired by emotions such as these. The man said: "Oh! Mr. Adams, what great things have you and your colleagues done for us! We can never be grateful enough to you. There are no courts of justice now in this province, and I hope there never will be another."¹

John Adams understood that this was not a laudable opinion, and there were many others who intended to prevent the dissolution that would accompany the domination of events by men holding such opinions. The Americans were generally successful in avoiding many of the pitfalls of revolution. But, by the refusing to arouse the populace by holding forth visions of beatitude that would follow from their efforts, they also forfeited fanatical zeal in their followers. The American Patriots had quite limited means for achieving their limited ends.

Divided Opinion in America

A more obvious difficulty at the time was posed by the Loyalists — those who remained loyal to the king and to England. So long as the colonies retained their connection with Britain, most Americans joined in the opposition to British policies during the period of rising discontent. They sometimes dif-

ferred over tactics and as to the correct theoretical position on the constitution. But once the decision for independence was made, some goodly number of people retained their loyalty to Britain. These threatened to turn the war into a domestic civil war as well as a war against Britain.

How many Loyalists there were was in doubt at the time and has remained so ever since. Those prosecuting the war in Britain wanted to believe that Americans in general retained their loyalty, especially that the sober and substantial inhabitants did. Hence, they were favorably disposed to exaggerated accounts of their numbers. Such a view made sense of the idea of subduing the "rebels," for after such a conquest Britain still might rule America if a substantial portion of the population was loyal. Moreover, British armies were continually being encouraged to come to this or that province on the grounds that Loyalists would turn out to support them in great number. The extent of loyalism has been revived as an important historical question in the twentieth century by those attempting to make a Marxist or class-struggle interpretation of American origins. These historians have resurrected what was once the British view for reasons quite different than those that would have inter-

ested King George III. On this class-struggle interpretation, men of wealth and position in America were usually Loyalists, and the thrust for revolt came from the lower classes.

This interpretation is not substantiated by the facts. A modern historian describes the social status of the Loyalists in this way: "Some came from quasi-aristocratic families, like the Fenwicks of South Carolina, and others were the humblest folk. They were rich, like Joseph Galloway of Pennsylvania, and they were poor; they were large landowners, and they were middling and small men of property; they stood behind counters, and they possessed hands unwrinkled by trade or toil. . . . Truth to tell, the Loyalists were of every station and every occupation."² He goes on to point out that Anglican clergymen and other officials dependent upon Britain for appointment or livelihood were likely to remain loyal. He also notes that some men of conspicuous wealth were among the Loyalists,³ a point that is offset by the fact that there were prosperous men among the Patriots as well.

Textbook lore has it that the population was divided in this fashion: one-third Patriots, one-third Loyalists, and one-third neutrals. About the only thing to commend this estimate is that it is a

formula easily remembered by undergraduates for test purposes. Since no census was ever taken to determine the number of Loyalists and Patriots, most evidence of numbers is indirect. The most critical of such evidence indicates that the Patriots generally preponderated over the Loyalists. Loyalists were able to achieve military successes only in conjunction with British armies. They could not even hold territory gained by the British. Once the main army moved on, Patriot militia usually swarmed over the Loyalists. The following estimate of Loyalist strength may be very near the mark: "In New England they may have been scarcely a tenth of the population; in the South a quarter or a third; but in the Middle colonies including New York perhaps nearly a half."⁴

There were, then, Loyalists in considerable number in America after the Declaration of Independence. They did not, however, succeed in turning the conflict into a fullfledged civil war. They were a threat to internal security; they offered encouragement to Britain to continue the war; they hampered the mustering of the resources of the states; and they attempted to undermine the war effort. It is not surprising, then, that the Patriots dealt with them ferociously when they encountered

them in battle or that they were subject to persecution when they were discovered.

Wartime Problems

The leaders of the revolt had difficulty enough without civil war. They had to lead by way of makeshift governments during most of the war. The colonial governments were no more, once independence was declared. Indeed, they had already been replaced with provincial congresses or legislatures before that event in most states. They subsisted for some time without formal constitutions, and their exercise of authority smacked of extra-legality, to put the best face on it. Though the states were faced with the crisis of prosecuting a war, they were under the necessity of moving carefully in order to carry as many people with them as possible. The states were hardly united, and their war effort was plagued by the fact that each state tended to go its own way. The only union government which existed from 1775 into 1781 was that provided by the Second Continental Congress. It had no constitution, nor any authority except that which derived from the states. It was not a government in the usual sense of the word, though it attempted to perform the diplomatic and military functions of one.

The most perplexing difficulties, however, were military and financial. To confront the most powerful navy in the world, the states had only a few ships that could be called warships; most of the damage they were able to do against the British was done by privateers which depended upon speed rather than armor. The armies should be called occasional rather than regular or standing. True, Congress authorized a Continental Army, made requisitions on the states for men and supplies, appointed generals, and undertook the direction of campaigns. There was a Continental Army from the time of its formation until the end of the war; but at times—usually in winter—it dwindled to the point that it more nearly resembled a party than an army. When some region was threatened, the army could be fleshed out with numerous increments of militia. The British did not usually conduct winter campaigns, so that an occasional army was nearly enough—for defensive purposes.

The Continental forces, during most of the war, however, were not sufficient to go on the offensive. The army frequently lacked most of the things which make an army: discipline, effective officers for smaller units, uniforms, blankets, tents, firewood, food, adequate shot and powder, sufficient mus-

kets or rifles and bayonets, and continuity. The initial enlistments were for one year only: only long enough, as Washington observed, for them to absorb some training and come under discipline before their officers had to begin to treat them with great deference in the hope that they would re-enlist. The militia were undependable and unpredictable in combat in the open field; they were of greatest use when they outnumbered the enemy.

Financing was so ineptly managed and the consequences were so important both to the conduct of the war and the founding of the Republic that it will receive treatment in a separate chapter.

Advantages of the Patriots

It is appropriate to focus attention on the difficulties confronting the Americans in the War for Independence. It enables us to see highlighted the sacrifices, bravery, and tenacity of those who did persevere to victory. But it is appropriate also to note that the Patriots had advantages as well as difficulties. Americans were fighting, usually, on their own soil. They had the potentiality of supplying many of their wants at home. They did not have to conquer Britain, only to drive her forces from the states. They had much greater prospects of gaining friends among European nations than did Brit-

ain, for Britain's successes in the Seven Year's War had been at the expense of other major powers. The American Patriots had a cause, too, which much outranked that of their enemy. They were fighting for liberty and independence; the best that the British could do was appeal to monarchy, empire, and tradition, and their case for tradition was flawed by the innovations which had provoked colonial resistance.

Even the method of assembling and maintaining armies was more appropriate than is often appreciated. It is true, of course, that the army should have been better fed, clothed, shod, munitioned, and housed. A strong case can be made, too, that if Patriot commanders had had larger numbers of seasoned and disciplined troops they might well have won decisive victories long before they did. But it is quite possible that an army composed of men with long-term enlistments in resplendent uniforms, who were extensions of the wills of their officers and who had garnered a series of brilliant victories, would have endangered American liberty. Many thoughtful Americans feared just the sort of army wanted by any man confronted with the military tasks before him. Congress was loathe to encourage long enlistments. They feared a standing army, as

might be expected of men of British descent. Americans were conscious not only of British history but of Roman history, and of the threat posed by successful generals. America did avoid the shoal of military dictatorship following the revolution, and a plausible reason why is that there was no army with which anyone inclined to such exploits could be confident of accomplishing them.

Outstanding Leadership

The Americans had another advantage, too; they had George Washington as commander-in-chief. Whether he was a great tactician or not is a question that can be left to military historians. But there should be no doubt that he had that peculiar combination of qualities of a man to whom others turn in difficult situations. He was dignified, tenacious, farsighted, disciplined, correct, and a gentleman. His personal bravery was of the sort that is called fearless among soldiers and sometimes foolhardy for a general. More than once he rallied his troops by exposing himself to enemy bullets. A lesser man than he would have committed and lost several armies, if he could have assembled that many. Washington was sorely tempted to risk his army to rescue and redeem his reputation. Yet he resisted this temptation time and

again, believing that it was more important to keep an army in the field than hazard the American cause on the chance of gaining personal glory. He said after being driven from Long Island: "We should on all occasions avoid a general action, or put anything to the risk, unless compelled by a necessity into which we ought never to be drawn."⁵ He persevered, persevered when beset by critics in Congress and the states, by the shortages and inadequacies of his army, by superior armies, by a war of attrition in the later years, and by mutiny of some of his forces. He had not only to direct his armies against enemy forces that frequently outnumbered his, were better equipped, better disciplined, and better supported but also to keep up a continual correspondence with Congress and with state officials to gain support and to get men and supplies. Small wonder that he often longed to return to Mt. Vernon and pursue his own affairs. Yet he persevered for more than eight years, from 1775 to 1783.

There were, of course, other generals and officers whose leadership and ability contributed to the American cause. Among them would be listed: Benedict Arnold (until his betrayal), Henry Knox, Anthony Wayne, Nathanael Greene, and Daniel Morgan. The

Continental Army benefited much, too, from foreign volunteers, notably, Lafayette, De Kalb, and Von Steuben. And there were private soldiers, whose names do not adorn the pages of books, but who endured untold misery to remain with the Continental Army and provide the troops without which generals are of no account.

The British Forces

On paper, the British were so far superior to the Americans that no contest might have been expected. They had the most powerful navy in the world. They had an established government, the recognition of foreign powers, centralized taxation, established credit, a much larger population on which to draw, much greater productive capacity, and an existing and disciplined army, though it was small. They hired thousands of Germans to supplement their own forces. Moreover, Loyalists in America might support them.

But the task of the British was much more complex and difficult than that of the Americans. Armies had to be transported across 3,000 miles of ocean in unpredictable sailing ships. Not only that, but the army and navy had generally to be supplied from home, and this transport was frequently exposed to Patriot privateers along the thousands of miles

of coast line of the American continent. Once their armies left the shelter of the supporting navies and moved inland, they were among a generally hostile population which rallied against them, as Generals Burgoyne and Cornwallis were to learn to their sorrow. They were always short of transport for inland maneuvers, and George Washington saw to it that very little fell into their hands. If America was divided at home, so were the British, though it did not tell much for the first couple of years.

British strategy was threefold: to isolate the continent from the rest of the world by blockade, to divide and conquer America, and to destroy Washington's army. The policy of divide and conquer had many facets: rally the Loyalists to the cause, separate the regions from one another, capture the major seaports, and so on. Patriot strategy was, above all, to keep an army in the field, and, hopefully, to drive the British from the continent. The British aimed to keep down the atrocities so as not to turn more of the American population against them; in this they were frequently thwarted by armies which plundered and raped wherever they went. Washington's armies were under strict orders not to plunder, but they did engage in confisca-

tions to gain stores and supplies.

Hostilities broke out in Massachusetts, of course, in April of 1775, more than a year before the declaring of independence. For the remainder of the year and into the next, the bulk of the British forces were concentrated at Boston and environs. This force was under siege and cut off on land by Patriots.

The first major battle of the war took place June 17, 1775. It has gone down in history as the Battle of Bunker Hill, though, in fact, it was a battle over Breed's Hill. The Americans, some 1,200 strong built a redoubt on Breed's Hill, which the British attacked with 2,200 men against a slightly reinforced American force. The British took the hill, but at a cost of 1,000 casualties, two and a half times the losses by the Patriots. General Gage observed that he could ill afford another victory like that. Shortly afterward, Washington assumed command of the Patriot forces, and a stalemate ensued for the next several months.

Expedition Into Canada

The scene of action shifted elsewhere. For some time, Benedict Arnold, and others, had been promoting the idea of an expedition into Canada. It was hoped that such an undertaking would bring

the Canadians in on the side of the states, would remove a haven from British forces who could from that vantage point launch an attack against the states, and would show to the British the determination of America. The plan was the more attractive because Canada was lightly defended. Congress was reluctant to authorize the expedition because there was still hope of reconciliation. Even so, permission was given for it finally.

Two armies were launched into Canada in late 1775. The main army which set out by way of Lake Champlain was initially under the command of General Philip Schuyler, but he fell ill and was replaced by the much more energetic Richard Montgomery. This army met with a series of successes by taking Forts Chambly and St. John's, followed by Montreal. The way to Quebec, the historic key to dominance of Canada, now lay open.

Meanwhile, the second army under the command of Benedict Arnold was making its way toward Quebec by a more easterly route. Arnold set out up the Kennebec river through Maine along a route the difficulties of which were only hazily grasped at the start. Arnold and his men braved rapids, unsuspected waterfalls, long overland portages, and some of the most

miserable weather ever recorded to reach their destination. "So great were the hardships that officers of the two rear divisions turned back with 350 men. But the rest plunged on through a forbidding wilderness, overcoming almost incredible obstacles. Some of them became lost; some died; all who could, struggled forward. . . . After a month of desperate effort, 600 scarecrows of men straggled into a camp on the headwaters of the Chaudière."⁶ This was in early November; they reached Quebec a few days later.

On December 2, 1775, Montgomery's army joined forces with Arnold outside Quebec. Although they now had superiority in numbers over the British, they were unable to take advantage of it because Sir Guy Carleton chose to defend the city from behind its walls rather than come out into the open. An assault upon the city on December 31 failed. General Montgomery was able to get a small force within the walls, but he was killed, and Arnold's men who were supposed to make a rendezvous with Montgomery's were turned back after Arnold, who was wounded, relinquished the command. For several months, Americans continued to lay Quebec under siege, but to no avail. Superior British forces eventually arrived; though American reinforcements

were also sent to Canada, they were driven out in 1776.

Washington vs. Howe

Early in the year of 1776, Washington succeeded in placing cannon on Dorchester Heights overlooking the British positions around Boston. Sir William Howe, now in command of the British army, judged his position to be too exposed, and in March the British abandoned Boston. Howe withdrew by sea to Halifax to await reinforcements. Meanwhile, Washington moved his army to New York in the expectation of a British attack there. It came in August. Howe drove Washington's army from Long Island, from Manhattan, and then from White Plains. It then became a near rout as the British under the field command of Cornwallis followed Washington in a retreat through New Jersey. Washington managed to halt the British advance at the Delaware River in early December. He had gathered all the boats in the vicinity to transport his army across the river; once he had the boats on the other side, he kept them there.

In any case, Howe did not follow up his advantage. He went into winter quarters in New York City, leaving much of his army spread out over New Jersey. For the Continentals, it had been a

year of defeats and withdrawals. On the heels of the Canadian losses had come the ousting of Washington's army from New York. The British were now within a few miles from the capitol at Philadelphia. Washington had only the remnant of an army to oppose the military and naval might of Britain.

Howe could retire to the comforts of New York; he had victories enough to sustain him through the winter. No such pleasant option was open to Washington who was faced with the imminent dissolution of his army and, the way things were going, no prospects of another one. If the British would not attack, he must. Under the cover of darkness on Christmas night he crossed the Delaware with his army to attack the Hessian army at Trenton at daybreak. The Germans surrendered shortly after the attack began. A few days later, Washington engineered another victory at Princeton. From his base at Morristown, Washington continued to drive the British from their positions. The extent and impact of the continuation of this campaign is spelled out by Samuel Eliot Morison: "In a campaign lasting only three weeks, at a time of year when gentlemen were not supposed to fight, the military genius of America's greatest gentleman, and

the fortitude of some five thousand of his men, had undone everything Howe accomplished, recovered the Jerseys, and saved the American cause."⁷

British Occupy Philadelphia

In 1777, the British launched their great offensive aimed at dividing America and destroying the Patriot ability to resist. At the beginning of the year, the massive force of British arms was centered in New York City. Another large army was in Canada. It was placed under the tactical command of General John Burgoyne. General Howe conceived initially of the grand strategy of attacking north from New York to make a junction with an attacking force from Canada. Such a victory along the line of Lake Champlain, Lake George, and the Hudson could have cut off New England from the rest of the states. However, Howe changed his mind, decided to attack Philadelphia instead, and put to sea with that destination in mind. He did leave behind an army, of sorts, under Sir Henry Clinton, but it was insufficient to perform both its tasks of occupation and conducting a major offensive campaign.

For a good portion of the summer, Howe's destination was a mystery to Washington. The fleet was delayed first by an extended

calm and then by contrary winds. Upon hearing that the fleet had been sighted to the south, Washington took the main body of his army to the vicinity of Philadelphia, leaving Burgoyne to the mercy of the New England militia, as he said. Washington tried to block Howe's advance with a smaller army at Brandywine Creek in early September, but was defeated and driven off. Howe moved on to the occupation of Philadelphia, which Congress had lately abandoned in haste. Washington's attack early in October on the main British force at Germantown failed to dislodge it. He withdrew his army to Valley Forge after this defeat.

Burgoyne's Surrender

Burgoyne had about 8,000 men at his disposal, including Loyalists and Indians. A detachment under Baron St. Leger was dispatched through the Mohawk valley from Oswego toward Albany. This detachment was dispersed by troops under Benedict Arnold. Burgoyne proceeded southward at a leisurely pace, one not entirely of his own choosing, since his path was frequently blocked by trees newly felled by Patriots. Meanwhile, militia began to assemble around a core of Continentals whose task was to stop Burgoyne. Eventually, so many militia had gathered to

augment the Continentals under the command of General Horatio Gates that Burgoyne was outnumbered two to one. His supply route was cut by Patriots. Burgoyne's hope of being relieved from New York City did not materialize; Clinton made only a foray up the river, stopping well short of Albany. Burgoyne was cut off, surrounded; he surrendered his army intact at Saratoga on October 17, 1777. Gates was credited with the victory, but men such as John Stark and Benedict Arnold led the aggressive actions which bottled up Burgoyne.

France Enters the War

Saratoga was the first great American victory. Trenton and Princeton had been important battles for keeping up morale, but they had been won at the expense of contingents of British forces. Burgoyne surrendered one of the major armies in America at Saratoga. There had been much sympathy among Frenchmen for the American cause from the beginning. America had sent emissaries even before declaring independence. By 1777, Congress had sent to France the best known American at the time and America's premier diplomat, Benjamin Franklin. An alliance was drawn up between France and the states in February 1778, and shortly

thereafter France was drawn into the war.

Not only did Saratoga bring France to the side of the American Patriots, but it showed to any of the British willing to learn the immensity of the task that lay before them. Contemporaries thought General Howe was much too cautious, even lazy and indifferent, if not a secret sympathizer with the Patriots. Historians of a later date have belabored him for unimaginative tactics. Yet Howe was the only commanding general who ever put Washington's army to rout and administered successive defeats. But to those who would see, Burgoyne's defeat showed what could well happen to any British general who committed his forces beyond naval support. Far from finding numerous Loyalists in the hinterland, Burgoyne found the countryside swarming with militia waiting to demonstrate the marksmanship of the backwoods. Nor would the continent succumb to the capture of this or that eastern port city, even if one was the capital. America had no central city; it was a land of farmers mainly who knew not the dependence, common in Europe, on a single city. There was no Rome to fall in America.

It is reasonable to conjecture that the American Patriots should have won the war in 1778. They

now had an ally who could challenge the British fleet and overmatch the British army. The Americans had shown that they could defeat a British army. Britain was not in dire straits, but even the government was no longer so determined to win. Lord North got a bill through Parliament in February 1778 aimed at reconciliation with America. A peace commission was dispatched a little later which was authorized to offer Americans just about everything they had asked for short of independence. A command crisis developed in the British forces in 1778. Burgoyne returned home on parole and in disgrace. The Howe brothers resigned command of the army and navy in America. General Howe may have been cautious, but Henry Clinton, who replaced him, was inept. Surely, all it would have taken to drive the British from America would have been a decisive mustering of American strength.

The Winter at Valley Forge

This was not to be the case, however. Perhaps a better omen than Saratoga for the immediate future was Valley Forge. The war was to drag on for the better part of five more years, and the condition of the Continental army at Valley Forge in the winter of 1777-1778 tells us why, at least in

part. One of Washington's biographers has described conditions this way:

Thus, at the beginning of 1778, the Army was witnessing one of the strangest of races, a contest between the axes of the men building huts and the harsh wear-and-tear on the remaining garments of those who still had sufficient clothing to permit outdoor duty. . . . Although hospital huts were built early and in what was believed to be sufficient number, they soon were overcrowded with miserable men who died fast or, if they survived, received little attention. In spite of all exertion, it was the middle of January when the last of the troops were under roof. Even then they did not always have straw to take the chill from the earthen floor of their huts. Thousands had no bed covering.

Food, of course, was the absolute essential — and food, more than even clothing or blankets or straw, was lacking at Valley Forge. . . . "Fire cakes" frequently were all the half-naked men had to eat in their overcrowded, smoky huts. Early in the New Year most of the regiments had to be told the Commissary could issue no provisions because it had none, none whatsoever. . . .

These were desperate hours. Washington continued to watch and to warn. "A prospect now opens," he said February 17, "of absolute want such as will make it impossible to keep the Army much longer from dissolution. . . ."⁸

Indeed, the army did seem to be on the verge of dissolution. "In December 1777, for example, over two thousand men went home. Hundreds of officers tendered their resignations; on one day alone, fifty threw up their commissions."⁹ Nor are these resignations and desertions to be wondered at when the hardships of the army are contrasted with the relatively good life of civilians. It is generally believed that about the only people in America suffering privation were in the army. One historian says, "Civilians declined to forgo

their pleasures merely because the army was in want; at a ball at Lancaster, Pennsylvania, in January 1778, over one hundred ladies and gentlemen gathered in all their finery to enjoy a 'cold collation with wine, punch, sweet cakes . . . , music, dancing, singing . . . ,' which lasted until four o'clock in the morning."¹⁰ These revels were taking place only a short distance from Valley Forge.

The incongruities here account for the American impotence. The reason for their existence needs now to be explained. 

• FOOTNOTES •

¹ Quoted in Merrill Jensen, *The Founding of a Nation* (New York: Oxford University Press, 1968), p. 663.

² John R. Alden, *The American Revolution* (New York: Harper Torchbooks, 1954), p. 85.

³ *Ibid.*, p. 86.

⁴ Piers Mackesy, *The War for America* (Cambridge: Harvard University Press, 1965), p. 36.

⁵ Quoted in *ibid.*, p. 91.

⁶ John R. Alden, *A History of the American Revolution* (New York: Alfred A. Knopf, 1969), pp. 203-05.

⁷ Samuel E. Morison, *The Oxford History of the American People* (New York: Oxford University Press, 1965), p. 244.

⁸ Douglas S. Freeman, *Washington*, abridged by Richard Harwell (New York: Scribner's, 1968), pp. 373-74.

⁹ John C. Miller, *Triumph of Freedom* (Boston: Little, Brown and Co., 1948), p. 225.

¹⁰ *Ibid.*, p. 223.

Next: The Scourge of Inflation.

Discipline

IDEAS ON



LIBERTY

CALL it high training, or culture, or discipline, or high breeding, or what you will, it is only the sense of what we owe to ourselves, and it is greater and greater according to our opportunities.

From an essay by WILLIAM GRAHAM SUMNER

THE CURE FOR POVERTY

HENRY HAZLITT

THE THEME of this study is the conquest of poverty, not its "abolition." Poverty can be alleviated or reduced, and in the Western world in the last two centuries it has been almost miraculously alleviated and reduced; but poverty is ultimately individual, and individual poverty can no more be "abolished" than disease or death can be abolished.

Individual or family poverty results when the "breadwinner" cannot in fact win bread; when he cannot or does not produce enough to support his family or even himself. And there will always be some human beings who will temporarily or permanently lack the ability to provide even for their own self-support. Such is the condition of all of us as young children, of many of us when we fall ill, and of most of us in extreme old age. And such is the permanent condition of some who have been struck by misfortune — the blind, the crippled, the feeble-

minded. Where there are so many causes there can be no all-embracing cure.

It is fashionable to say today that "society" must solve the problem of poverty. But basically each individual — or at least each family — must solve its own problem of poverty. The overwhelming majority of families must produce more than enough for their own support if there is to be any surplus available for the remaining families that cannot or do not provide enough for their own support. Where the majority of families do not provide enough for their own support — where society as a whole does not provide enough for its own support — no "adequate relief system" is even temporarily possible. Hence "society" cannot solve the problem of poverty until the overwhelming majority of families have already solved (and in fact slightly more than solved) the problem of their own poverty.

All this is merely stating in another form the Paradox of Relief: *The richer the community, the less the need for relief, but the more it is able to provide; the poorer the*

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community, the greater the need for relief, but the less it is able to provide.

And this in turn is merely another way of pointing out that relief, or redistribution of income, voluntary or coerced, is never the true solution of poverty, but at best a makeshift, which may mask the disease and mitigate the pain, but provides no basic cure.

Moreover, government relief tends to prolong and intensify the very disease it seeks to cure. Such relief tends constantly to get out of hand. And even when it is kept within reasonable bounds it tends to reduce the incentives to work and to save, both of those who receive it and of those who are forced to pay it. It may be said, in fact, that practically every measure that governments take with the ostensible object of "helping the poor" has the long-run effect of doing the opposite. Economists have again and again been forced to point out that nearly every popular remedy for poverty merely aggravates the problem. I have analyzed in this study such false remedies as "land reform," the guaranteed income, the negative income tax, minimum-wage laws, laws to increase the power of the labor unions, opposition to labor-saving machinery, promotion of "spread-the-work" schemes, special subsidies, increased govern-

ment spending, increased taxation, steeply graduated income taxes, punitive taxes on capital-gains, inheritances, and corporations, and outright socialism.

But the possible number of false remedies for poverty is infinite. Two central fallacies are common to practically all of them. One is that of looking only at the immediate effect of any proposed reform on a selected group of intended beneficiaries and of overlooking the longer and secondary effect of the reform not only on the intended beneficiaries but on everybody. The other fallacy, akin to this, is to assume that production consists of a fixed amount of goods and services, produced by a fixed amount and quality of capital providing a fixed number of "jobs." This fixed production, it is assumed, goes on more or less automatically, influenced negligibly if at all by the incentives or lack of incentives of specific producers, workers, or consumers. "The problem of production has been solved," we keep hearing, and all that is needed is a fairer "distribution."

What is disheartening about all this is that the popular ideology on all these matters shows no advance — and if anything even a retrogression — compared with what it was more than a hundred years ago. In the middle of the nineteenth century the English

economist Nassau Senior was writing in his journal:

It requires a long train of reasoning to show that the capital on which the miracles of civilization depend is the slow and painful creation of the economy and enterprise of the few, and of the industry of the many, and is destroyed, or driven away, or prevented from arising, by any causes which diminish or render insecure the profits of the capitalist, or deaden the activity of the laborer; and that the State, by relieving idleness, improvidence, or misconduct from the punishment, and depriving abstinence and foresight of the reward, which have been provided for them by nature, may indeed destroy wealth, but most certainly will aggravate poverty.¹

Man throughout history has been searching for the cure for poverty, and all that time the cure has been before his eyes. Fortunately, as far at least as it applied to their actions as individuals, the majority of men instinctively recognized it — which was why they survived. That individual cure was Work and Saving. In terms of social organization, there evolved spontaneously from this, as a result of no one's conscious planning, a system of division of labor, freedom of exchange, and economic cooperation, the outlines of

which hardly became apparent to our forebears until two centuries ago. That system is now known either as Free Enterprise or as Capitalism, according as men wish to honor or disparage it.

It is this system that has lifted mankind out of mass poverty. It is this system that in the last century, in the last generation, even in the last decade, has acceleratively been changing the face of the world, and has provided the masses of mankind with amenities that even kings did not possess or even imagine a few generations ago.

Because of individual misfortune and individual weaknesses, there will always be some individual poverty and even "pockets" of poverty. But in the more prosperous Western countries today, capitalism has already reduced these to a merely residual problem, which will become increasingly easy to manage, and of constantly diminishing importance, if society continues to abide in the main by capitalist principles. Capitalism in the advanced countries has already, it bears repeating, conquered *mass* poverty, as that was known throughout human history and almost everywhere, until a change began to be noticeable sometime about the middle of the eighteenth century. Capitalism will continue to eliminate mass

¹ Nassau Senior, *Journal Kept in France and Italy from 1848-52* (London: Henry S. King, 2nd ed. 1871), Vol. I, pp. 4-5.

poverty in more and more places and to an increasingly marked extent if it is merely permitted to do so.

In a previous article ("False Remedies for Poverty," *The Freeman*, February, 1971), I explained by contrast how Capitalism performs its miracles. It turns out the tens of thousands of diverse commodities and services in the proportions in which they are socially most wanted, and it solves this incredibly complex problem through the institutions of private property, the free market, and the existence of money — through the interrelations of supply and demand, costs and prices, profits and losses. And, of course, through the force of competition. Competition will tend constantly to bring about the most economical and efficient method of production possible with existing technology — and then it will start devising a still more efficient technology. It will reduce the cost of existing production, it will improve products, it will invent or discover wholly new products, as individual producers try to think what product consumers *would* buy if it existed.

Those who are least successful in this competition will lose their original capital and be forced out of the field; those who are most successful will acquire through

profits more capital to increase their production still further. So capitalist production tends constantly to be drawn into the hands of those who have shown that they can best meet the wants of the consumers.

Those who truly want to help the poor will not spend their days in organizing protest marches or relief riots, or even in repeated protestations of sympathy. Nor will their charity consist merely in giving money to the poor to be spent for immediate consumption needs. Rather will they themselves live modestly in relation to their income, save, and constantly invest their savings in sound existing or new enterprises to create not only more jobs but better-paying ones ("Private Wealth, Public Purpose," *The Freeman*, December, 1970).

The irony is that the very miracles brought about in our age by the capitalist system have given rise to expectations that keep running ahead even of the accelerating progress, and so have led to an incredibly shortsighted impatience that threatens to destroy the very system that has made the expectations possible.

If that destruction is to be prevented, education in the true causes of economic improvement must be intensified beyond anything yet attempted. 

The Educational Dilemma



DONALD M. DOZER

FORMAL systems and institutions of education always represent a gift from the present generation to the next generation.

The school at all levels is a highly complicated social phenomenon. It depends, first of all, upon a controlling or governing body — a body of taxpayers in the case of public schools, a body of parents and financial donors in the case of private schools. This *supporting body* forms the principal in the entire educational complex; it is the base upon which the system rests.

To carry on the actual administration of the school, this supporting body selects a committee which is called by various names ranging from a board of education to boards of trustees or regents. Representing the original constituent body this board em-

plays the administrators of the school, namely the principal, headmaster, chancellor, president, deans and instructors, who together constitute the implementing agent of the system and who supply the technical expertise needed to operate it.

The beneficiaries of this system are intended to be the pupils or students, who are thus enabled to be brought into contact with persons who are expected to transmit the skills, amenities, and values of the past to present and future generations and to stimulate in them enlarged visions for the future.

This basic structure prevails at all levels of the educational process, from the kindergarten through the university, and is grounded upon certain well-defined legal obligations and relationships which are the product of centuries of educational experimentation. Within this structure have appeared many delicate nuances of

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administration and elements of conflict within recent decades. Perhaps the most serious of these has been the penetration of political pressures and the resulting clash of political forces within the academic community.

It is now widely acknowledged that the great majority of our colleges and universities have lost the trust of the public. The wave of public indignation which was directed against them after the Berkeley riots in 1964 has been followed by a wave of even more ominous public revulsion. These institutions are experiencing the most serious crisis of confidence that they have faced in many decades. They are no longer respected as the quality institutions which they once were under such educator-statesmen as Charles W. Eliot and A. Lawrence Lowell of Harvard University, David Coit Gilman of Johns Hopkins, Nicholas Murray Butler of Columbia, Robert Gordon Sproul of the University of California, and James R. Angell of Yale University.

Why the Degeneration?

Why has this degeneration occurred, and what should be done about it?

One of the major casualties of the social and economic upheaval of our times is the principle of authority, or more precisely the

principle of management. In industry the claims of owners and boards of directors to the exercise of management responsibilities are being repeatedly challenged. In institutions of higher learning in the United States the growing pressure for unionization of teaching faculties and staffs and for involvement of students in the councils of administration raise questions as to the *locus* of power and the right to exercise it.

It is a well-known doctrine of law that the principal in a legal transaction controls the actions of his agent within the context of their agreement and that, if the agent exceeds his authority, his unauthorized action must be regarded as *ultra vires* or of no legal effect.

A major reason for the present plight of institutions of higher learning is that in the area of education the essential relationship of the agent to his principal has been ignored. In many cases the supporting body, as we have called it above, has neither exercised nor defended its responsibility for determining the scope of the education which it is financing but has, on the contrary, allowed its agent to assume by default free-wheeling authority, with often anarchic results. Similarly the agents of the supporting body, who are expected to act as execut-

ing officials for the supporting body and to be accountable to it, have been faithless servants. Especially in the colleges and universities which are supported by taxpayers they have yielded to the political force exerted by pressure groups of race and social class and by militant student activists. Higher education has accordingly been allowed to become a thing of whims and fads bending before the changing winds of the moment.

Taxpayer Revolt

It is asking too much of human nature to expect that the principal, namely, the taxpayer, will indefinitely support an institution which, while professing to contribute to his enlightenment, in fact dedicates itself to the destruction of the society which the principal himself has formed. As a horde of militant students were thronging across the campus of one of the California universities and occupying the student center, a local businessman raised his voice in protest to the chancellor of the university. The chancellor defended his do-nothing policy saying: "We have been teaching these students for fifteen years to think for themselves, and now they are doing it!"

A lamentable misconception has been allowed to develop in higher education as to who is principal

and who is agent, who calls the tune and who should dance to it, who pays the bills and who should furnish the services paid for.

Dr. Stephen J. Tonsor has stated the obvious but forgotten truism: "The university does not belong to the students; it does not belong to the faculty; it does not belong to any special pressure group in the society that happens to feel the call to revolution or a prophetic mission. The university belongs to the whole of the society or the corporate reality which brought it into existence and which sustains it."¹

The relationship of taxpayers to educators in a publicly supported educational structure is that of employer to employee. The same relationship exists between boards of trustees of private institutions and the designated officials of those institutions.

In the complex of relationships at various levels in the educational structure it is possible to identify a producer-consumer relationship in the classroom between teacher and student. The student can either accept or reject the product, but, as the object ultimately acted upon by both the supporting body and the executing body, he is not entitled to de-

¹ "Authority, Power and the University," *New Guard*, XI, No. 6, September 1971, p. 5.

fine the nature of the product. In other words education in the classroom cannot be successfully organized around the democratic principle.

If it is organized on the basis of this principle on the assumption of the existence of an exclusive producer-consumer relationship between teacher and taught, the corollary principle that the consumer is always right must be accepted. This is to require the teacher to become a classroom demagogue, an ingratiating salesman, and to elevate the student into the position of principal. Under these conditions education becomes a hopeless exercise and eminent professors who express unpopular views can be destroyed by immature classroom critics.

Conflict of Responsibility

In the triangle of conflict which has been accordingly created between administrators, faculty, and students, administrators, unless checked by firm directives from the supporting body, will invariably offer up the faculty as sacrifice to student demands. Commonly, administrators utilize student activism as a lever for suppressing faculty dissent.

These problems have been grievously aggravated by the superimposition of the money and power of the government in Washington

upon the great majority of our institutions of higher learning, both public and private, during the past quarter century. Bold indeed — and almost unique — has been the educator who could resist these advances. Increasingly the central government itself has assumed the role of principal in the educational process, dictating standards, imposing conditions, and supplying lavish funds, amounting to as much as \$23 billion in the higher-education bill for 1972. The old supporting local bodies have therefore largely abdicated their responsibility.

To the extent that local supporting bodies, whether public or private, still retain any directing authority over education, they must be recognized as principal in the operation, entitled to exert full control over the scope, purposes, and actions of the colleges and universities with whose responsibility they are entrusted. And, in accordance with the legal rights of management and the legally recognized doctrine of the relationship between principal and agent, whenever government, whether state or national, is acknowledged to be the supporting body it must be accorded the full powers of principal in the educational operation. In other words, final power cannot be assumed, either willfully or by tacit consent of the

principal, by the agent, that is by presidents and deans and least of all by students. However distasteful this rule of conduct is, it must be respected unless the supporting body in each case decides to stand the educational system on its head.

The Fallacy in Public Education

But events in the area of higher education in the last decade have newly exposed the essential fallacy in the concept of public education. Government at all levels, being necessarily primarily political in character and having police power at its disposal, has interests which are antithetical to education in the fullest sense. All that it is interested in doing and all that it is capable of doing in the area of education is to train citizens, not educate them, in the skills of responsible citizenship. This is a very limited function, and it may be seriously doubted whether the state should involve itself even in this operation, since, by assuming this minimal training responsibility, it will inevitably undertake to impose its political will and rigidified formulas upon the citizenry.

Libertarian principles rightly condemn government control over education at all levels. Herbert Spencer pinpointed the fallacy in his *Social Statics*, published in

London in 1851: "What is meant by saying that a government ought to educate the people? . . . What is the education for?" And from these questions he concluded, "Clearly to fit the people for social life — to make them good citizens. And who is to say what are good citizens? The government: there is no other judge." He asked further, "And who is to say how these good citizens may be made?" Again, his answer was, "The government: there is no other judge." Spencer's conclusion is as irresistible as it is ominous.

Jefferson's Views

The political uses of institutions of higher learning to accomplish certain predetermined national purposes were fully appreciated by Thomas Jefferson and have been emulated by his successors in government. At a special meeting on March 4, 1825 of the Board of Visitors of the University of Virginia, which Jefferson had founded and of which he was then serving as rector, the Board, with Jefferson present, adopted the following resolution:

Whereas, it is the duty of this Board to the government under which it lives, and especially to that of which this University is the immediate creation, to pay especial attention to the principles of government which shall be inculcated therein, and

to provide that none shall be inculcated which are incompatible with those on which the Constitutions of this State, and of the United States were genuinely based, . . .

Resolved, that it is the opinion of this Board that as to the general principles of liberty and the rights of man, in nature and in society, the doctrines of Locke, in his "Essay concerning the true original extent and end of civil government," and of Sidney in his "Discourses on government," may be considered as those generally approved by our fellow citizens of this, and the United States, and that on the distinctive principles of the government of our State, and of that of the United States, the best guides are to be found in 1. The Declaration of Independence, as the fundamental act of union of these States. 2. The book known by the title of "The Federalist", being an authority to which appeal is habitually made by all, and rarely declined or denied by any as evidence of the general opinion of those who framed, and of those who accepted the Constitution of the United States, on questions as to its genuine meaning. 3. The Resolutions of the General Assembly of Virginia in 1799 on the subject of the alien and sedition laws, which appeared to accord with the predominant sense of the people of the United States. 4. The valedictory address of President Washington, as conveying political lessons of peculiar value. And that in the branch of the school of law, which is to treat on the subject of civil polity, these shall be used

as the text and documents of the school.²

As thus envisaged by Jefferson public education could be converted into a powerful apparatus to serve "good" national ends, which were thus defined in the resolution of March 1825. But is there a consensus at any one time that the current government of state or nation ought to be the principal educator? When we acknowledge it as such, we assume that government now is and will forever remain the kind of government which, in the judgment of a majority of citizens, it ought to be. This situation, if it exists at a single moment, may change in the next, but the powers of that government in the area of education will not automatically diminish.

The principles of a free society therefore demand that political governments at both the state and national levels shall retreat from their positions of control over institutions of higher learning. This retreat is rendered especially imperative by the admission of youths between 18 and 21 years to the franchise, which can only have the effect of intensifying the political tug-of-war in the classroom which was the major cause of the academic crisis of the

² Jefferson's Works, Vol. 19, pp. 459-461, Washington, 1907.

1960's. Only the divorce of government from academic responsibility will prevent institutions of higher learning from becoming completely politicized and their inmates reduced to cogs in a totalitarianized political machine.

Education is, largely, the business of stimulating rigorous intellectual discipline. But it must

limit itself to intellectual discipline and should not impose the discipline of any political party, of any religious group, or even of any national state unless it is plainly advertised as such and is therefore known to be serving necessarily as a part of the indoctrinating apparatus of that party, group, or state. 

"I Was a Slumlord..."

GEORGE FRANK

I WAS A SLUMLORD. Here is how I came to be one.

I was born 69 years ago. I learned the craft (maybe the art) of cabinet-making in my native land, Hungary. This would have been my 50th year of working actively, creating in wood many things of lasting beauty. My name is well-known and well-respected in the trade.

About 20 years ago I bought a small factory building in East Harlem, at 508 East 117th Street, where I worked together with my team of 10 to 12 men. With changes, improvements and additional construction, the factory cost me about \$65,000.

A few years after I bought the building, the adjoining building,

No. 510, was offered to me at a bargain price because it was in poor repair. With the idea of expanding my workshop into it, or using the lot for parking, I bought it. For \$12,500 in cash I became the owner of a four-family house.

The four families living in the house are all decent working people. To my knowledge they do not need and never asked for charity, public help or assistance. Yet the law forces me to give them shelter and heat at a lower price than my own cost.

For several years now my cash expenses have exceeded my income by about 25 per cent, and this without interest or amortization payments on the mortgage.

The building was in poor repair when I bought it. By now it is the favored hunting ground of every city inspector.

The building needs a new roof, new walls, new ceilings, new plumbing, new wiring, new doors and a new heating system. It needs about \$15,000 worth of repairs.

The building now has a gross income of \$2,600 a year, of which I am paying for taxes and heat about \$3,000.

Why didn't I apply for a hardship rent increase? My accountant told me there would be a blizzard of paperwork, and that if he was able to get me any increase, my fee to him would have taken away whatever I gained in the first two years.

So far I have been fined four times for failure to comply with orders to correct building code violations! I was summoned to court again only a few weeks ago, and I explained my predicament to the judge. He assured me of his "sympathy," fined me \$40 and promised that my next fine would be much higher.

I did not go home from the court. I went straight to the offices of the local Roman Catholic Church and asked them to accept the building as a free gift. They didn't. An hour later I made the same offer to the Protestants. Again the answer was no. Next I offered the building free, without any money, to the four tenants. They didn't want it.

Okay, I will abandon the build-

ing, was my next thought. I will stop collecting rents, will not pay taxes or heat. I will let the city take over. This sounds like an easy way out, but my lawyer tells me it cannot be done without my being legally financially responsible.

So, here I am with a building assessed by the city at \$21,000 — I repeat \$21,000 — that I cannot give away, I cannot sell, and I cannot abandon. I am forced by law to operate it.

That is, I was. I am not any longer.

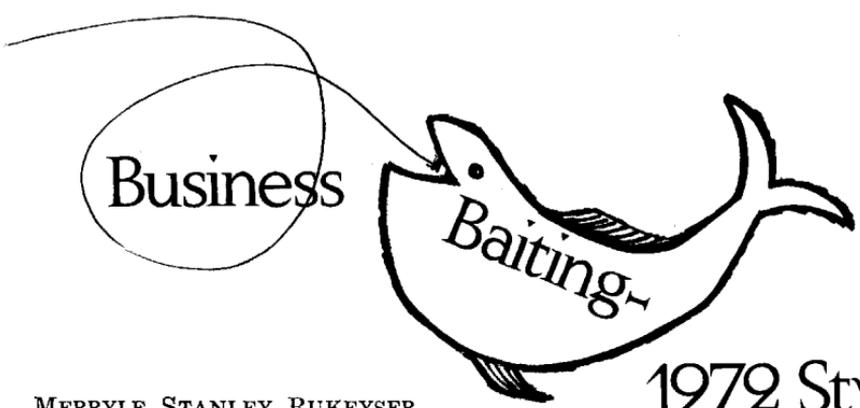
I have sold the building for \$30,000.

As an extra inducement I threw into the bargain my good old factory building, which cost me close to \$70,000, for nothing. In other words, I sold real estate that cost me \$80,000 about 15 years ago for \$30,000, to be paid without interest in six years.

With the \$50,000 that I lost on the deal — and which is a major part of my life savings — I bought freedom.

At 69 I am too old to start a revolution, or to fight City Hall. On the other hand I do not like to be summoned to appear in criminal court, when my only crime is that I dared to own a building in New York.

I will badly miss my shop, where I spent 49 happy years. But . . .
I am no longer a slumlord! 



Business

Baiting

1972 Style

MERRYLE STANLEY RUKEYSER

IN THE NINETEEN SEVENTIES, business baiting, no less virulent than in the past, has become more subtle and sophisticated. It consists of efforts to equate technology with utter disregard for ecology. The new attack is sometimes launched in a flood of tears for consumers. Behind the new R for national economic backsliding is the runaway expansion of the welfare state which exalts leaners at the expense of producers. The new politics denigrates the system for cultivating progress through rewards and incentives. Theorists and their youthful adherents repudiate concepts of development and plump for a zero growth in population and material well-being. They stigmatize the use

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of electricity in labor-aiding tools of production as antisocial pollution, and blithely advocate the replacement of mechanically driven equipment with the primitive "sweat and groan" of human muscle power.

Such academic naivete brings to mind a conversation years ago with an economic minister in India. As we discussed the low level of living in that sub-continent, I asked what steps native leaders were taking to supplement the efforts of the human muscle with advanced machinery. In a patronizing manner, he called my attention to India's surplus of workers, as though it were self-evident that India, in the circumstances, had no use for "labor saving" capital goods. But what the Minister did not seem to grasp was the fact

that continuance of crude techniques for using men as dray horses necessarily condemned Indian workers to low productivity and a meager living.

Conditions Change

Critics of business fall into the booby trap of assuming that everything is static. More than four decades ago, oil authorities were forecasting that in eight years the supply would run out. They proved to be astigmatic, perceiving only the then known reserves. They overlooked the fact that, with incentives, wildcatters would ferret out new sources of supply. And when, if, and as we consume all the known supplies of fossil fuel, the creative side of man will find substitutes in such newer technologies as atomic and solar energy. And in the process, they doubtless will achieve a measure of pollution control.

The new enthusiasts in ecology carry a good cause to unreasonable excesses. They ascribe utter irresponsibility to businessmen. They assume that corporate executives are solely concerned with "the bottom line" on the profit-and-loss statement, and the devil take the hindmost. They lack the imagination to sense the opportunities for improvement within the system. Earlier in the century, there was in some aspects of

farming, for instance, and in the indiscriminate cutting down of trees in the forests, a seeming lack of concern for the future. But protests were heard; there has been measurable progress in the development of scientific agriculture in place of the primitive "mining of the soil." And in Oregon and elsewhere pioneer efforts were undertaken to avoid the denuding of forests with the new concept of tree farms with new plantings to replace cuttings.

In the American system, the guiding motto should be the line from the poet Louis Untermeyer, who wrote: "From sleek contentment, keep me free." Progress is never enough, and the operating principle of topflight business management is: "Let's seek to do better tomorrow what we appear to be doing well today." The continuing vigor of the American competitive system depends on the knowledge and courage of the elite who understand its functioning and have the means of communicating the benefits to others.

Fear of Technology

What we see today is a recurrence of the simplistic revolt in the nineteenth century of men like Samuel Butler, who decried the Industrial Revolution. In his *Erewhon* in 1872, Butler appeared as the enemy of the machine.

In this new era ecologists are decrying technology as a polluter, ignoring the capability of technology to develop methods to minimize pollution. The alarm ringers assume that they alone want a world of pure air and pure water. They jump to the conclusion that the profit motive is the enemy of Nature. Perceptible gains will come when there is mature recognition that technology is a human tool and can be devoted to man's ends. If, by way of illustration, existing methods of burning coal or using gasoline in automobile engines pollute, then it makes sense to accelerate research and development to find ways of achieving the benefits while controlling the adverse effects. Instead of viewing the problem in the naive spirit of setting the good guys against the bad guys, it is time to recognize that leaving the environment in the form that men find it is consistent with good business. If consumers desire less pollution, they will need to understand that devices to avoid pollution are a cost of producing goods and services.

Thomas Robert Malthus, the economist, warned in 1798 of oncoming unavoidable poverty and distress on grounds that population increases by geometric ratio and the means of subsistence only by arithmetical ratio. However,

his prophecy has been unfulfilled. Methods of cultivating land have not remained static. Creative minds in science, invention and engineering have developed new and better means of production, and in advanced economies a spectacularly smaller ratio of the total population than in earlier times is producing vastly more abundant quantities of food and fibers.

In light of the contemporary organized efforts to put a ceiling on economic progress, it doesn't make sense for investors, financiers and managing directors of great companies to ignore the impact of the new-style business baiting. Perhaps I can do no better than to repeat here what I said in 1938 in my pamphlet "Sell the Business as Well as the Product":

Improving the climate of popular opinion would help to remove the barriers to a free circulation of goods and services from makers to users. . . . Misstatements and misconceptions about business have been so widely propagated that dissemination of the truth by business would be enormously helpful. Business would not have to gild the lily, for truth is much more favorable than current rumor.

The country needs to escape from the tyranny of obscure, weasel words and from doctrinaire ideology. Simple arithmetic, in double-entry form, as understandable as the family budget, can be used to photograph for

the lay mind the essential processes of business. Such new style "candid camera" shots which give glimpses behind the scenes in the business world will help to promote friendly cooperation among government, business and labor. It can make crystal clear that the unwarranted sniping at business is directed at the vital interests of millions of life insurance policy holders, owners of savings accounts, . . . and of tens of millions of individual owners of shares of American corporations.

These comments made thirty-four years ago are a reminder that business baiting is not a new phenomenon in 1972. Only the rhetoric has changed.

In the intervening years, great strides have been made in humanizing corporate reports, and today some alert companies, such as Standard Oil (N.J.), U.S. Steel and others, have used TV commercials creatively to depict the social usefulness of their enterprises. James M. Roche, who recently retired as chief executive of General Motors, has in recent months taken leadership in urging greater attention to the attacks on the premises on which free enterprise rests.

The Brave New World

Basic in this approach is objective understanding of the significance of the revolt of some

articulate young people. Since they will in due course inherit the earth, their views, including their misconceptions, should not be ignored. No one questions the right to dissent, but it is important also to develop a sense of responsibility in discussing matters relating to the well-being of the people. Certainly, the "brave new world" won't be ushered in by escapists. Youths who indiscriminately reject the mature as hypocrites have little insight into the history of man. In downgrading their parents as insincere because their conduct doesn't always square with their professed code of ethics, the young tend to overlook that through the ages man has been caught in the conflict between his animal instincts and his standards of civilized procedure. It would, of course, be millenary if everyone invariably lived up to his code; but the remedy for human frailty certainly is not the rejection of standards.

Much of the venom against the Establishment springs from an emotional distaste for the competitive system, which calls upon individuals to stand up and be measured. Much loose talk glorifying the "underprivileged" and the "disadvantaged" is really quarreling with the Lord for creating man with an infinite variety of differences in aptitude, skill, moti-

vation, and I.Q. The demagogic struggle to level down is an effort to replace divine patterns with man-made molds making all persons identical.

Much of the business baiting results from an emotional bias against competition. It takes character to be willing to be measured, and to face the grim fact that not all of us are topnotchers in every skill. And it would be a dull world indeed if we were all cast in precisely the same mold. Instead of letting destructive emotions become dominant, there should be not only a renaissance of respect for the work ethic, but also new approval for self-supporting individuals who achieve up to their own optimum in all categories of talent. The diligent hewers of wood and drawers of water deserve respect, which should not be reserved exclusively for glamorous creative artists, publicists, professional men, and chairmen of corporate boards.

The threat to economic and other achievement does not come

primarily from overseas competitors, but from ill-conceived, misguided theories developed at home. No investments in growth are attractive if the "wave of the future" is for home-grown communes in place of competitive effort. Prosperity will rest on a slender reed indeed if those who vote and ratify public policy don't understand the factors that make for better living.

Slogans against the Establishment should be examined minutely to determine whether they hide rejection of self-discipline, thrift and industry. In a free society, no one is forced to work for a higher standard of living than he desires, but none who undermines the system by circulating misconceptions should go unanswered. Just as a free man is entitled to express his views, his neighbor should have the freedom to audit and appraise the other fellow's opinions. Then the validity of concepts can be tested in the unrestrained market place for ideas. 

A Precarious Life

IDEAS ON

LIBERTY

ANY COMMUNITY which depends for its economic growth upon the whims of succeeding Congresses is in economic jeopardy. Someday, the taxpayers might say "no," and then where is the life of that region which has become wholly dependent upon federal help?

From an address in 1955 by CLARENCE A. DAVIS
Under Secretary of the Interior

BLOOD from TURNIPS

TERRILL I. ELNIFF

*Notes toward an
understanding of John Law's
economic errors*

Action is preceded by thinking. Thinking is to deliberate beforehand over future action and to reflect afterwards upon past action. Thinking and acting are inseparable. Every action is always based on a definite idea about causal relations. He who thinks a causal relation thinks a theorem. Action without thinking, practice without theory are unimaginable. The reasoning may be faulty and the theory incorrect, but thinking and theorizing are not lacking in any action. On the other hand thinking is always thinking of a potential action. Even he who thinks of a pure theory assumes that the theory is correct, i.e., that action complying with its content would result in an effect to be expected from its teachings. It is of no relevance for logic whether such action is feasible or not.

— Ludwig von Mises

HERE LIES that celebrated Scotsman, that peerless mathematician who, by the rules of algebra, sent France to the Four-House.

— *Mecreux de France on
the death of John Law*

WHEN JOHN LAW arrived in France in 1716, he found France on the edge of bankruptcy. The government debt amounted to 2.4 billion livres plus another 590 million livres worth of *billets d'état* — outstanding royal promissory notes which were worth about one third of their face value. The deficit in the government accounts for 1715 was 78 million livres — a deficit of nine million livres more than the total revenues for that year.³ The people were overtaxed and starving, and commerce was at a standstill.⁴

Law received a charter for his Banque Générale in 1716. It was a private operation, handling all the normal functions of a bank. It was also authorized to issue banknotes called “bank crowns,” which were to be redeemable “in money of the weight and denomination of the day of issue.”⁵ This was sound banking policy, even though Law’s

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"land bank" had an unsound money based on anticipated royal revenues and landed securities. (What Law was to do later would have destroyed even a bank with a sound money base.) Concerning Law's banking methods and policies, one historian of modern banking wrote: "If the bank had continued upon the sound basis of a bank discounting commercial paper and acting as the fiscal agent of the Treasury, France would have been under a great debt of gratitude to Law for introducing into her commercial relations the methods of the modern business world."⁶ A period of recovery and great prosperity followed.

But the bank did not continue on that sound basis. Law's next step was to organize the Company of the West and combine into it several other small French trading companies, as well as negotiating with the Regent, d'Orleans, for the farming of taxes, money coinage, the tobacco monopoly, and the assumption of the entire national debt.⁷ On December 27, 1718, his Banque Générale was made a public institution — the Banque Royale — and payment of notes in bank crowns (which required specie) was stopped, making the banknotes of the Banque Royale legal tender. When in May, 1719, the Company of the West was reorganized into the Company of the Indies, the

speculation began and the new shares were bid up and up — and the boom was on. The price on the shares was 500 livres par, but they brought a premium of 5000 livres. By the end of November they were selling for 10,000 livres. By year's end, they brought up to 12,000 livres, and by January 6, they were up to 18,000 livres.⁸ But then the tide began to turn. As the market began to drop, "the more prudent speculators were endeavoring to convert their gains into more solid property by the purchase of real estate or by shipping gold abroad."⁹ On May 1, 1720, a decree from Law announced that by December 1st all shares in the company would be scaled down to 5500 livres per share and that all banknotes would be reduced fifty per cent in value. A commission appointed by the Regent to examine the bank found that it had less than ten per cent assets against its three billion livres of circulating banknotes and only 49 million of that was in gold or silver.¹⁰ On July 16th there was a run on the bank, people demanding gold or silver for their banknotes. Ten women were killed in the confusion. "Repeated riots expressed the feeling of the public that it had been deceived by financial tricks, and that the upper classes had profited at the expense of the community."¹¹

What John Law was trying to do for France has been succinctly summarized by Will Durant:

His central conception was to increase the employment of men and materials by issuing paper money, on the credit of the state, to twice the value of the national reserves in silver, gold, and land; and by lowering the rate of interest, so encouraging businessmen to borrow money for new enterprises and methods in industry and commerce. In this way money would create business, business would increase employment and production, the national revenues and reserves would rise, more money could be issued, and the beneficent spiral would expand. If the public, instead of hoarding the precious metal, could be induced, by interest payment, to deposit its savings in a national bank, these savings could be added to the reserves, and additional currency could be issued; idle money would be put to work, and the prosperity of the country would be advanced.¹²

This was John Law's "system." Law himself summarized it even more succinctly when he said, "Money is the blood of the State and must circulate. Credit is to business what the brain is to the human body."¹³ When the same idea was proposed at the beginning of the French Revolution, Jacques Necker, the minister of finance, observed that "They had only to

provide themselves with a paper mill and a printing press to make the nation solvent."¹⁴

Two Basic Errors Led to Failure of John Law's System

Why did John Law's "system" fail? We cannot blame his failure on his motives: there is every indication that he was sincerely bent on benefiting France. Even his enemy, Duc de Saint-Simon, admitted there "was neither avarice nor roguery in his composition."¹⁵ It is common to blame the speculators whose speculative frenzy both made and broke Law's system: "The principles upon which he had established his bank were theoretically sound; they would have made France solvent and prosperous had it not been for the incredible avidity of speculators and the extravagance of the Regent."¹⁶ But why did they speculate? If Law's system was basically sound, why did it cause a situation in which speculation would be expedient? Why, to put the issue in its starkest form, did John Law think he could get blood out of turnips? Did the rules of algebra fail? Or did Law misapply them?

Involved in Law's system are two logically separable, though closely intertwined, economic fallacies: (1) that money must circulate, and (2) that successive

credit expansions will lead to a spiral of economic prosperity.

The error concerning the circulation of money is one of mistaking effect for cause. Money is a medium of exchange, as Law believed, but it is also a market commodity which takes on value in exchange.¹⁷ Therefore if people do not circulate their money, it can only be because they anticipate that it will be worth more in exchange at a later time. On the other hand, if people believe that their money will lose value in the future, they will circulate it in the present.¹⁸ Thus circulation is neither an index of prosperity, nor of adversity: it is not wise to circulate money in a deflating market, and the circulation of money in an inflating economy is not a sign of prosperity, but rather of sickness. There are times when money must not circulate.

The second error is an extension of the first: that successive credit expansions (i.e., lowering the interest rate and loaning more money) will lead to a spiral of economic prosperity: that money can create business, which would increase production, which would result in greater tax revenues and foster a new credit expansion, which would create new business, and so on. Law's error may be pointed out with two observations: (a) If the old debt is paid off be-

fore the new credit expansion takes place, there has been no *net* gain for the economy. Consumption must be curtailed and savings invested in order to finance such progress. It is only a question of when one is going to curtail consumption and invest savings—now or later. (b) If the old debt is not paid off, and a new credit expansion is made, the *net* result is a higher price level for everyone as prices are bid up with the extra money available. This bidding up of prices, however, does not affect everyone equally:

While the process is under way, some people enjoy the benefit of higher prices for the goods or services they sell, while the prices of the things they buy have not yet risen or have not risen to the same extent. On the other hand, there are people who are in the unhappy situation of selling commodities and services whose prices have not yet risen or not in the same degree as the prices of the goods they must buy for their daily consumption. For the former the progressive rise in prices is a boon, for the latter a calamity. Besides, the debtors are favored at the expense of the creditors.¹⁹

This process may continue for a longer or shorter period of time. How long it lasts depends on psychological factors. It will last as long as the people maintain con-

fidence in the relative soundness of the money or faith in the bank or government:

Let Ludwig von Mises finish the story:

But then finally the masses wake up. They become suddenly aware of the fact that inflation is a deliberate policy and will go on endlessly. A breakdown occurs. The crack-up boom appears. Everybody is anxious to swap his money against "real" goods, no matter whether he needs them or not, no matter how much he has to pay for them. Within a very short time, within a few weeks or even days, the things which were used as money are no longer used as media of exchange. They become scrap paper. Nobody wants to give away anything against them.²⁰

The result of such a breakdown is that people return to barter or develop a new kind of money. The result in France was that the bank was closed, the legal tender was suspended, the company's contracts were cancelled, and the stock was readjusted.²¹ There was an attempt to restore both public and private obligations and fortunes to the levels which existed before the inflation. But "those who had fled the country with their winnings transmuted into gold, those who could command the royal favor, and those who were able to keep their gains in hiding were

the only ones who escaped."²² David Ogg has observed that "This disaster . . . created no diminution in the amount of national wealth but only a change in its distribution."²³ But such a redistribution of wealth, of course, always means a terrible waste of resources and efficiency, and thus, while there may have been no diminution in the aggregate amount of national wealth, there was certainly an interruption of economic activity that is tantamount to a destruction of wealth. This is true because human needs and desires continue. It is impossible to interrupt hunger or to mark time in starvation while an economy recovers.

Why did John Law think he could get blood out of turnips? Because he misunderstood the nature of turnips. John Law's mathematics of compound interest were not in error; his "rules of algebra" did not fail. He simply erred in applying them to human affairs. His system was broken on the rocks of reality—one part of which is the fact that human beings place value on that which they exchange for money.

Ludwig von Mises has observed:

The body of economic knowledge is an essential element in the structure of human civilization; it is the foundation upon which modern industrial-

ism and all the moral, intellectual, technological, and therapeutical achievements of the last centuries have been built. It rests with men whether they will make the proper use of the rich treasure with which this knowledge provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teaching and warnings, they will not annul economics; they will stamp out society and the human race.²⁴

John Law failed because he had an erroneous understanding of economic concepts. Seventy years later the French Revolutionists made the same mistake, but it was not because they did not know. They chose, for political reasons, to ignore the body of truth. They did not annul it; but they very nearly stamped out society and the human race. ❁

• FOOTNOTES •

¹ Ludwig von Mises, *Human Action; A Treatise on Economics*, 3rd revised edition. Chicago: Henry Regnery and Yale University Press, 1966, p. 177.

² Frederick C. Green, *Eighteenth-Century France: Six Essays*, London: J. M. Dent, 1929, p. 28.

³ Will and Ariel Durant, *The Age of Voltaire; A History of Civilization in Western Europe from 1715 to 1756, with Special Emphasis on the Conflict between Religion and Philosophy*, New York: Simon and Schuster, 1965, p. 13.

⁴ Green, *op. cit.*, p. 6.

⁵ Charles A. Conant, *A History of Modern Banks of Issue*, New York: G. P. Putnam, 1927; reprinted by Augustus M. Kelley, Publishers, 1969, p. 33.

⁶ *Ibid.*

⁷ *Ibid.*, p. 35.

⁸ *Ibid.*, p. 37.

⁹ *Ibid.*, p. 38.

¹⁰ *Ibid.*, p. 39.

¹¹ Durant, *op. cit.*, p. 15.

¹² *Ibid.*, p. 11.

¹³ Green, *op. cit.*, p. 7.

¹⁴ J. M. Thompson, *The French Revolution*, New York: Oxford University Press, 1966, p. 196.

¹⁵ Durant, *op. cit.*, p. 13.

¹⁶ *Ibid.*, p. 15.

¹⁷ Mises, *op. cit.*, p. 401 f.

¹⁸ *Ibid.*, p. 426 f.

¹⁹ *Ibid.*, p. 413.

²⁰ *Ibid.*, p. 428

²¹ Conant, *op. cit.*, p. 39.

²² *Ibid.*, p. 40.

²³ David Ogg, *Europe of the Ancien Regime, 1715-1783*, New York: Harper and Row, 1965, p. 255.

²⁴ Mises, *op. cit.*, p. 885.

The Astonishing Similarity

WHAT CHIEFLY STRIKES today's reader is the astonishing similarity of the arguments put forward by our own contemporary inflationists to those of the inflationists of eighteenth-century France. Not less striking, of course, is the similarity in the actual consequences of paper money inflation in revolutionary France and inflation everywhere in the modern world.

IDEAS ON



LIBERTY

From HENRY HAZLITT'S introduction to *Fiat Money Inflation in France* by Andrew Dickson White, available at \$1.25 in paperback from the Foundation for Economic Education, Irvington, N.Y. 10533.



WELFARE:
HIDDEN BACKLASH

MORRIS C. SHUMIATCHER'S *Welfare: Hidden Backlash* (Toronto: McClelland and Stewart, Limited, \$10.00), is one of the saddest books I have ever read. The sadness has a double focus. First, the book tells the story of what the white man, through his blindness, did to the Indian in Canada. But even more ominous (for it could carry both the white and the Indian into the same bitter trough of degradation), there is the between-the-lines story of what compulsory State welfare philosophy threatens to do to everybody in Canada who is within reach of a paternalistic legislature in Ottawa.

The white man in Canada can't say that he hasn't had plenty of warning. Mr. Shumiatcher, a lawyer who once served as assistant

to the socialist premier of Saskatchewan, was once imbued with the idealistic notion that the only thing needed to abolish any wrong to an individual was a generous appropriation of money. He lived to learn that the worst thing you could do to a human being, whether white, red — or, by extension, black — was to make him a ward of government. A house cat, even though fed in a protected kitchen on choicest liver, still manages to maintain an aura of self-respect. Not so the human animal when fed by government, as Mr. Shumiatcher discovered in the days of his socialist novitiate and during his subsequent travels as a legal counsel for the Indians in western Canada.

The Queen's commissioners had

good intentions back in the Eighteen Seventies when they embarked on the idealistic course of protecting the Indian. They thought of him as a potential white man who could become self-supporting if settled on the land. The assumption need not have been fatal if the Indians had been permitted to match their wits in the market place with the new settlers who were pouring into western Canada.

The Perils of Protectionism

True enough, the Indian was not an agriculturalist. But he could have learned the hard way, through crop failures. The trouble with the Queen's philosophy (Did you know that Queen Victoria was a socialist?) is that it insisted that the Indian be protected against the possibility of being rooked in a trade with an unscrupulous capitalist. Penned in on his reserved lands, the Indian was not allowed to farm for the market place. The white man who was supposed to be the Indian's keeper became his jailer, shutting him behind a buckskin curtain for a wholly questionable good.

With enough welfare money in his pocket to buy firewater, the Indian was under no compulsion to take jobs building the railroads or clearing the forests. Japanese and Chinese laborers came in to

do the strong-arm work and remained to become self-respecting gardeners and restaurant owners. While strong-backed people from Eastern Europe made farms for themselves and took their chances in the market, the Indian sank deeper and deeper into sloth. His children, taken from the wild and forced to sit in government schools, learned little of value to a future on a reservation or in a city ghetto.

The crowning blow came when the Northern Indian was forced to become a "protected" trapper. Originally, the Indian trapper could sell his furs where he pleased. The Hudson's Bay Company was the big buyer. To get a continuing supply of furs, the Hudson's Bay Company would advance the Indian enough money for a season's grubstake. The socialists of Saskatchewan thought it demeaning for the Indian to have to go to a capitalist organization for a livelihood. Accordingly, they set up a State Marketing Service and made it a punishable offense for the Indian to sell his furs elsewhere.

Unfortunately the socialists failed to follow through with any of the capitalist services that the Hudson's Bay Company had provided. Where the Indian trapper had once been able to get \$400 in credit and food to go on the trap-

line for a full season, the socialists insisted on pay-as-you-go. They limited the size of the initial amount a trapper could borrow to some twenty dollars. This meant that the trapper could only stay out for a week at a time. When he returned with his pelts, he had to wait around for the Marketing Service check. It seldom came on time. Naturally the Indian's periods of drunkenness became more frequent and more prolonged. But the wicked capitalist — i.e., the Hudson's Bay Company—had been defeated.

A Century of Medicare

The Indians of Canada have had socialized medicine for a far longer period than their white brothers. But in Saskatchewan, according to Mr. Shumiatcher's evidence, the incidence of sickness, particularly of communicable disease, is greater among the Indians than among the population as a whole. The life expectancy of the Indian has fallen behind that of the general population. Tuberculosis and venereal disease once threatened to end the "Indian problem" by depleting their bands. The deplorable health record of the reservation Indian was compiled at a time when he had a right to claim medical and hospital services "without money and without price." After watching what bureaucratic medi-

cine has done to the Indian, Mr. Shumiatcher trembles to think what may happen to the population as a whole now that all Canadians have the same medical "rights" that the Indian has had for five generations.

Looking into the future, Mr. Shumiatcher suspects that the whole of Canada will become a vast reservation for everybody. Unfeeling people have talked about the "seven deadly sins of the Indian." First, the Indian is dirty. Second, he is withdrawn from normal society. Third, he won't work. Fourth, he is unreliable and aimless. Fifth, he is a school dropout. Sixth, he is promiscuous. And seventh, he escapes from reality through alcohol and peyote. These are the sins that develop when one is not forced to compete in the world. Mr. Shumiatcher sees all these deadly sins repeated in the white hippie pads that have been spreading over Canada.

Reservations for Everyone?

The bloom goes quickly from the flower children. Promiscuity in the pads and communes has increased venereal disease among the young in a terrifying way; one estimate is that the increase has gone as high as 1,000 per cent in five years. The hippie is supported in his indolence by a mixture of panhandling, shoplifting, and remittances

from spineless parents. This is welfarism of a sort, especially when the panhandling and shoplifting is condoned. Mr. Shumiatcher has an uneasy feeling that the hippie way of life will more and more spread to the general population as the politicians, seeking votes, offer bigger and better handouts, thus emulating the spineless parents who have allowed their offspring to grow up with the impression that affluence is no longer dependent on dedication, training and work.

Though Mr. Shumiatcher's book is limited to Canada, it could, presumably, have drawn upon "south of the border" material to make the same points. The U.S. has done badly by its Indians by following practices that are very similar to those instituted by the Queen's commissioners in Canada. If our hippie problem has been mitigated, it is largely because many of our flower children have gone to Toronto and other Canadian cities to escape the Vietnam War. As for our State Welfarism, it grows apace.

Will it soon be "Lo! The poor White Man"? Read Mr. Shumiatcher and weep.



► **JOSEPH STORY AND THE AMERICAN CONSTITUTION** by James McClellan (Norman, Oklahoma: University of Oklahoma Press, 1971) xvii, 413 pp, \$12.50.

Reviewed by Gottfried Dietze

THE GREAT HOPE of the American Revolution was that self-government would lead to an increasing emancipation of the individual. Fortunately, the Founding Fathers, in what John Fiske called the critical period of American history, also knew that excesses of democracy could be detrimental to freedom by opening the door to majoritarianism and anarchy. Displaying the kind of common sense Blackstone hoped would prevail among the members of Parliament — who would consider themselves bound by the common law and refrain from oppressing life, liberty and property — Americans, in order to secure free government, adopted a Constitution providing for a more perfect Union. Implied in this Union was a balance between the rights and powers of the states and the nation, acting as mutual checks upon arbitrary government. Since the new nation was to be formed out of existing states and since the powers of the national government were few and defined, whereas those of the states were many and not enumerated,

the immediate implementation of the federal balance involved a strengthening of the national government. The difficulty of that task is reflected in Alexander Hamilton's letter to Gouverneur Morris of February 27, 1802, in which he writes that he was "still laboring to prop the frail and worthless fabric." Earlier, *The Federalist* had left no doubt that the more perfect union was a mere means for securing the rights of the individual. In essay 78 of that commentary, Hamilton also stated that the judiciary was to be the guardian of the Constitution and the free government it created.

In the exercise of that guardianship during the first decades of the new nation, Chief Justice Marshall generally is credited with having played the major part. However, upon reading McClellan's attractive, scholarly book, the student of government may well decide that at least as much credit is due to Justice Story. Story was only 32 years old when in 1811 President Madison named him to the Supreme Court. At that time, the high bench had been presided over by John Marshall for ten years and he was to continue to head it for nearly another quarter of a century. While this reviewer feels that the Marshall Court had distinguished itself before it was joined by Story, through such im-

portant decisions as *Marbury v. Madison* (1803) and *Fletcher v. Peck* (1810), Mr. McClellan emphasizes the importance of Justice Story for American constitutional development, showing the broad range of Story's interests and achievements.

When appointed to the Court, Story had been a member of Congress, a Speaker of the House in his home state, Massachusetts, the author of various books on the law and a volume on poetry. While on the Court, he published his classic *Commentaries on the Constitution* and became a founder of the Harvard Law School where he taught for sixteen years. The author marshals evidence that Story was a true renaissance man. He could have added that Story translated and commented upon Robert von Mohl's work on the American Constitution, a study which indicates that the outstanding German constitutionalist of his time had insights similar to those of Tocqueville.

The author emphasizes that Story is unique in that he was the first and only disciple of Edmund Burke ever to sit on the Supreme Court. This may be technically correct if discipleship implies an unequivocal acknowledgment of influence. There were, of course, many conservatives on the high bench who, like Story, felt

that the Constitution was no mere reflection of temporary whims of the American general will but was a transmutation of constitutionalist principles which had gradually become embodied in Western civilization, such as Christian ethics, natural law and the common law. The fact that in recent years the Court has moved away from these principles must not lead us to forget that up to Franklin Roosevelt's court-packing plan, the Court generally was considered a conservative institution and a bulwark for *laissez faire*.

A strong defender of private property, Story, in the famous Charles River Bridge case of 1837, dissented from the majority of the Court. "In a powerful, exhaustive dissent, Story proudly excoriated the Court in the name of property and the constitutionally protected rights of the common law. This last great undertaking on behalf of property was his best, a *magnum opus* which epitomized years of study spanning more than three decades of dedicated effort." Declaring that he stood behind Marshall's decision in *Fletcher v. Peck*, a decision which gave broad protection to property rights through the doctrine of implied limitations, Story exclaimed: "I stand upon the old law, upon law established more than three centuries ago, in cases contested with as much abil-

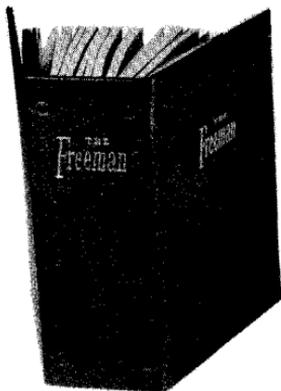
ity and learning as any in the annals of our jurisprudence, in resisting any such encroachments upon the rights and liberties of the citizens, secured by public grants. I will not consent to shake their title deeds by any speculative niceties or novelties." There was "no surer plan to arrest all public improvements, founded on private capital and enterprise, than to make the outlay of that capital uncertain and questionable, both as to security and as to productiveness." Negating Marshall's doctrine of implied limitations amounted to an infringement upon the constitutional provision that no state shall make laws impairing the obligation of contracts — laws which had prompted the desire for the Philadelphia Convention and a more perfect union.

Like Marshall, Story favored a strong national government. Since our time had been characterized by a march of power to Washington to the detriment of freedom, it could be argued that Story's emphasis on national power potentially hurt the very values he was favoring, namely, Christian ethics, natural law, the common law and the Constitution with their far-reaching protection of human rights, including those of property. Such a verdict would be unfair to Story who wanted national power (rudimentary as it

was at his time) only as a means for the protection of those rights from the states, whose power at that time was considerable. Just as he resented oppression by the state governments, he also would have disliked a despotic national government. Similarly, it would be unfair to blame Story for favoring judicial review. For, again, he conceived of that institution as a mere means for the preservation of free government and not as one for the promotion of social legis-

lation and perverted concepts of civil rights.

Mr. McClellan is to be congratulated for having shed new light on one of America's greatest jurists—perhaps the greatest of them all. Given the recent publication of Gerald T. Dunne's *Justice Joseph Story and the Rise of the Supreme Court*, the important role Justice Story played in the development of the American Constitution at last may well get the recognition that has long been its due. ☉



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POWER TO THE PEOPLE

the mask of despotism



CARL A. KEYSER

THERE IS a specially apt paragraph in *The First Leftist*,¹ a pamphlet by Dean Russell, which is worth quoting.

The rallying cry of this new Left [the Jacobins in 18th century France] was: All power to the people. And as always it sounded good to the people. But the point that the French people missed is the same point that haunts the world today [1951]. It is this: The people can not themselves individually exercise the power of government; the power must be held by one or a few persons . . . whether the form of government is a kingdom, a dictatorship, a democracy, or whatever. If the people truly desire to retain or regain their freedom, their attention should first be directed to the principle of *limiting the power of government itself* instead of merely demanding the right to vote on what

party or person is to hold the power. For is the victim of government power any the less deprived of his life, liberty, or property merely because the depriving is done in the name of — or even with the consent of — the majority of the people?

According to Elie Halévy² socialism was considered by its early advocates as a natural evolution of liberty, fulfillment of the revolution of 1789, the end of the subjection of labor by capital.

“But on the other hand,” wrote Halévy, “it is also a reaction against individualism and liberalism; it proposes a compulsory organization in place of outworn institutions destroyed by the Revolution.” Thus, old despotisms were to be replaced by new ones. Men were again to surrender themselves to the tyranny of the state.

In the years following the Napoleonic wars Charles Comte and Charles Dunoyer founded a peri-

Mr. Keyser is Commonwealth Professor Emeritus of the University of Massachusetts at Amherst where he had specialized in materials engineering and metallurgy. This article is adapted from a book manuscript Mr. Keyser is completing on the expanded role the Federal government assumes in our lives.

odical called *Le Censeur* (The Censor) in France. The observations made in 1815 have permanent validity.

"The first way," wrote Dunoyer, "that occurs to man to satisfy his needs is to take; plunder was the first industry, as it was the first end of human association; history hardly knows a society that was not first formed for war and pillage."³

"The first need of man," stated Charles Comte along the same line of thought, "is to provide for his subsistence, and, as we have already seen, he can do so only by the spontaneous product of nature, or by what he seizes from his fellows, or by the produce of his industry."⁴

Government Subverted

The justification for peaceful government is to prevent the seizure of one man's life and property by another. Today, government has been subverted to perform the very function the prevention of which justifies its existence: pillage. This occurs when the government attempts to fulfill what are commonly called social needs: it takes from some and gives to others.

"In their present state," according to Dunoyer at the start of the nineteenth century, "the nations can be compared to swarms made

up equally of hornets and bees, swarms in which the bees agree to produce torrents of honey for the hornets, in the hope of keeping at least a few combs for themselves. Unhappily, there is not always even a small part left for them . . . Man's concern is not with government; he should look on government as no more than a very secondary thing — we might almost say a very minor thing. His goal is industry, labor, and the production of everything needed for his happiness. In a well-ordered state, the government must be only an adjunct of production, an agency charged by the producers, who pay for it, with protecting their persons and their goods while they work. In a well-ordered state, the largest possible number of persons must work, and the smallest possible number must govern."⁵

The same thought was expressed by Count Henri Saint-Simon, a brilliant but somewhat erratic and eccentric philosopher-economist, who was cognizant of the work of Comte and Dunoyer and who ironically later became the founder of French socialism.

"Society," stated Saint-Simon, "needs to be governed as little as possible, and there is only one way to accomplish that — to be governed as cheaply as possible."⁶

Later Saint-Simon and his fol-

lowers forgot this advice and advocated a tyrannical industrial state ruled by a scientific elite.

Dunoyer and Comte divided society into two classes: those who wish to plunder and those who wish to produce and exchange in peace. Dunoyer wrote of the struggle between these two classes.

"We must not forget," wrote Dunoyer of the peaceful producer class, "that its members are still few in numbers and isolated from each other; that there are few means of communication and defense; in a word it is not organized, while, generally speaking its enemies are organized."⁷

These and similar thoughts made their way via Saint-Simon to Auguste Comte, the founder of positivism, to Buckle, the historian, and finally to Herbert Spencer, the economist and philosopher. The philosophy was accepted in England, the United States, and elsewhere, playing a major part in the nineteenth-century economic expansion of the American West.

By the end of the nineteenth century socialism was thriving, claiming to be a new liberalism. It took hold first in Germany, later in England and the Scandinavian countries, and then in violent form, in Russia. Finally it evolved into the Fascism of Italy, the National Socialism of Germany, and the welfare state in England

and the United States. The struggle between the peaceful producers and plunderers still goes on. The peaceful producers are "few in numbers and isolated from each other . . . there are few means . . . of defense . . . , [the producer group is] not organized, while, generally speaking its enemies are organized."

Near the end of his book Elie Halévy asked, "Am I going to be told about a future state of the human race, when a perfect socialism will be united with a perfect freedom? What freedom? The freedom to do nothing, as in the abbey of Thélème, or the absence of obedience to a master, along with incessant labor like an ant or a bee? This ultra future . . . goes beyond the limits of my vision. And when I see men giving themselves up to these dreams, I can not help but think of Kant's dove trying to fly in the void or of Hegel's swimmer without water."⁸

Loss of Freedom

Socialism ends, although the end may be many years in coming, in tyranny and loss of freedom. The nineteenth-century French Socialists were followed by Napoleon III, the Socialists of Russia lasted a few months and yielded to Bolshevism, the post-war Socialists of Italy were followed by Mussolini's Fascists, and after a

dozen or so years the Socialists of Germany succumbed to Hitler's terror. In Spain, Franco was Socialism's heir. Once the terror takes over only a war seems able to bring about a change, and there is no assurance that a new terror will not replace the old. Under some forms of terror vestiges of private ownership were allowed to remain, as attempts were made to gain social security without completely extinguishing economic freedom. But freedom is indivisible and freedom compromised is freedom lost.

Henry Watterson, the grand old editor of the oldtime Louisville *Courier-Journal* was rightly fearful of unlimited government, even if it was the choice of the people.

"We are told by Herbert Spencer," wrote Watterson, "that the political superstition of the past having been the divine right of kings, the political superstition of the present is the divine right of parliaments and he might have said of peoples. The oil of anointing seems unawares, he thinks, to have dripped from the head of the one upon the heads of the many, and given sacredness to them also, and to their decrees."

"That the Proletariat, the Bolsheviks, the People are on the way seems plain enough," he wrote in 1919 with unusual foresight. "How far they will go, and where they

will end, is not so clear. With a kind of education — most men are taught to read, very few to think — the masses are likely to demand more and more for themselves. They will continue strenuously and effectively to resent the startling contrasts of fortune which opportunity and aptitude have created in a social and political structure claiming to rest upon the formula 'equality for all, special privilege for none'."

"The law of force," continued Watterson, "will yield to the rule of numbers. Socialism, disappointed by its Utopia, may then repeat the familiar lesson and reproduce the man-on-horseback, or the world may drop into another abyss, and, after ensuing 'dark ages' . . . emerge with a new civilization and religion."⁹

At another point in *Marse Henry*, Watterson nevertheless wrote: "As poorly as I rate the reign of majorities, I prefer it to the one-man power, either elective or dynastic."¹⁰

Socialism and Mediocrity

James Gibbons Huneker was a connoisseur of music, the arts, and literature. He lived from 1860 to 1921 and witnessed the socialist drift of the Western world, including the Red revolution in Russia. His biographer, Arnold T. Schwab, claims that Huneker was "the

most versatile and one of the most entertaining and influential American critics . . ." Huneker's interests ranged far beyond the arts into political ethics and led him to spend time in the greasy restaurants of New York arguing communism with those of the vanguard such as Emma Goldman.

The last book Huneker wrote, *Variations*, was a collection of essays published posthumously in 1921.¹¹ In his powerful essay, "Socialism and Mediocrity," Huneker quotes Yves Guyot¹²: "There are three words which socialism must erase from the facade of our public buildings, the three words of the republican motto: Liberty, Equality, and Fraternity. Liberty because socialism is a rule of tyranny; equality because it is a rule of class; fraternity because its policy is that of class war." Huneker himself then goes on to write: "M. Guyot might have quoted Napoleon, a realist, a cynic in politics, for he knew its seamy side, who said: 'Tell men they are equal and they won't bother about liberty.' How true — if we are all reduced to the level of slaves and live in filth and depravity, we shall not be concerned with freeing ourselves from this condition, providing we all equally enjoy the same conditions of our non-existence.

"Guyot . . . attacks Karl Marx on his weakest flank, and, inci-

dentally, proves him not to have been a proletarian, but the son-in-law of a Prussian Junker. The selfishness of Marx, his tyrannical behavior, his unphilosophical wrath when opposed by two such intellectual giants as Bakunin¹³ and Lassalle¹⁴; his jealous attitude toward Ferdinand Lassalle, especially after his tragic death, are all well known. Able but frequently unscrupulous men amuse the idle and attract the multitudes — such are the leaders . . . These leaders are plagiarists, with some variations, of all the communist romances inspired by Plato."

The Exploitation Theory

Not only did Marx and Lenin plagiarize Plato but, according to Huneker, they "built up their theories upon a sentence of Saint-Simon and three phrases of Ricardo's. Our author [Huneker is quoting Guyot] gives these examples: 'German socialism is derived from two sources: (1) The French doctrine of Saint-Simon; *"The way to grow rich is to make others work for one,"* which in Proudhon's mouth becomes *'the exploitation of man by man.'* (2) Three formulas of Ricardo, viz.: (a) *'labor is the measure of value'*; (b) *'the price of labor is what provides labor in general with the means of subsistence, and of perpetuating his species without*

either increase or diminution'; (c) *'profits decrease in proportion as wages increase.'*" Saint-Simon and Proudhon are guilty of vicious distortions and Ricardo of abject assininity unworthy of yet another tiresome refutation.

"No Socialist," Huneker continues, "has succeeded in explaining the conditions for production, the remuneration, and the distribution of capital in a collectivist system. No Socialist has succeeded in determining the motives for action which an individual would obey. When pressed for an answer, they allege that human nature shall be metamorphosed, but that the individual remains a constant quantity! Rank materialism, all this, and absolutely without vision . . .

"It may be said that man is ready for every form of sacrifice save one: nowhere and at no time has he been found to labor voluntarily and constantly from a disinterested love for others. Man is only compelled to productive labor by necessity, by fear of punishment, or by suitable remuneration. The Socialists of today, like those of former times, constantly denounce the waste of competition. Competition involves losses, but biological evolution, as well as humanity proves that they are largely compensated by gain. Furthermore, there is no question of

abolishing competition in socialistic conceptions; the question is merely one of substitution of political for economic competition. If economic competition leads to waste, and claims its victims, it is none the less productive. Political competition has secured enormous plunder to great conquerors such as Alexander, Caesar, Tamerlane, and Napoleon; it always destroys more wealth than it confers on the victors. The Socialist formulates a theory of robbery and calls it 'restitution to the disinherited.' Disinherited by whom? Disinherited of what? Let them produce their title deeds . . . Georges Bernard says that 'socialism will be a regime of authority.' On this point Guyot grimly agrees with him. In reality it will be the most oppressive spiritual and material system ever invented by man.

" . . . The future — which is said by some to belong to socialism — will work out the problem of mediocrity, especially if socialism is involved; mediocrity and socialism are not poles asunder. Concrete houses filled with concrete people who will eat, drink, and think alike will cover the land. Everything will be concrete, even our opinions. In his concrete Capitol a concrete President will devise concrete laws. Art, music, literature will be so concrete that our native Gradgrinds, hungry for

hard facts, will be ravished into the seventh concrete heaven . . . And this coming age of concrete, wherein all must walk and look alike, is it not a dream compared with which Dante's *Inferno* would be a Garden of Armida?"¹⁵

Boris Pasternak would probably have answered, "Yes."

Early Signs of Socialism

Socialism, according to the classic definition, concerns itself with the collective ownership of the means of producing and distributing goods, under democratic government control. In practice Socialism has been expanded to cover government ownership, operation and control of all the facilities and institutions which, even indirectly, contribute to the production and distribution of goods. Additionally, Socialist governments have assumed responsibility for providing those services which are used by most citizens, and for providing material security for all of their citizens. According to this concept the government of the United States has been engaged in Socialist activities ever since it was established.

Post-offices and post-roads were authorized in the Constitution under Article I. Certainly this would represent ownership and control of facilities which contribute indirectly to the production and dis-

tribution of goods. Additionally, the provision of a service used by most citizens is involved. (The argument is often made that services used by all citizens should be provided by the government since this will take the profit out of the activity. How about breathing, for instance?) Eventually the Congress made the handling of mail a government monopoly, and after 182 years of dismal deficits, the Socialistic postal service has been changed to an independent government agency which is supposed to resemble a private corporation and which is supposed to be self-supporting. It remains, however, a government agency, presumably owned by the people, and it is not less Socialistic than it was before.

The big-government liberals, who double as humanitarians when they dispense the money they have stolen from the thrifty, until recently revered Thomas Jefferson as a near-God, which, of course, he wasn't. Then one of his biographers made the rather unremarkable disclosure that Jefferson had been a Negro slaveholder and this relegated him to the position of a latterday leper. Some years earlier it had been revealed that Jefferson regarded government as "inherently corrupt, oppressive, and malevolent."¹⁶ This should have forewarned the liberals and caused some anguish, but

it didn't. Perhaps it was because, in spite of Jefferson's mistrust of government, he was responsible for several early American socialist sorties.

The first Jeffersonian socialist endeavor was the Louisiana Purchase of 1803, by which the United States became a dealer in real estate. This was an atypical socialist activity in that it proved enormously profitable. The profits from the sale of Louisiana Purchase land helped to pay the cost of running the government for the second fifty years of the country's existence. Although the international legality of the enterprise was authorized under the treaty-making powers granted by the Constitution, there is nowhere a clear authorization for the United States to engage in a real estate development the size of the Louisiana purchase. Acquisition of territory on a limited scale for purposes of defense would certainly be permissible, but it is questionable whether a big purchase could be justified under the general welfare clause. In any event, who was to question the constitutionality of such a step? This and later real estate ventures of the United States have proved to be quite generally profitable in spite of their socialist nature. Perhaps it all proves that even socialists can make money in real estate.

A Federal Surplus!

By 1806 the income of the Federal government had grown beyond what was needed for the limited government the nation then enjoyed. Small amounts of money were needed for service of the national debt and for national defense, the major government activity. Unbelievable as it now seems, there was great concern over what to do with surplus funds! Handling this problem, Jefferson showed himself to be the eternal politician. Instead of recommending that customs duties, the major source of Federal income, be reduced, he sought ways to increase spending. "Congress," he wrote, "should explore the possibilities of Federal appropriations for the great purposes of Federal education, roads, rivers, canals, and such other objects of public improvement as may be thought proper."¹⁷ It is to Jefferson's everlasting credit that he was enough of a constitutionalist to have felt that an amendment would be needed to permit such a socialist invasion of fields heretofore largely private. In this he was unlike twentieth-century politicians who increasingly agree with Mr. Dooley that "th' Constitution iv th' United States is applicable on'y in such cases as it is applied to on account iv its applicability."

It is noteworthy that for 82 of

the first 112 years preceding World War I surpluses were a problem.¹⁸ What a lovely problem! This brings to mind the 1970 row over federal-state revenue sharing.¹⁹ If the states are in need of more money and the Federal government is so overburdened with cash that it can afford to give some to the states, why not simply reduce Federal taxes and allow the states to raise their own funds? Under this scheme the money would be raised where it is spent and the public could keep a better eye on how it was spent. Under revenue-sharing the Federal government will parcel out its favors subject to the influence of political pressures far removed from the people who fill the till. This is hardly likely to contribute to careful taxing and spending.

The socialist proposal of Jefferson that Congress consider Federal support of education have led many to consider him as the father of publicly-supported education. Not until about sixty-five years later did Federal support of education become a reality. In 1862 the first Morrill Act, known as the Land Grant Act, was passed providing for the establishment and maintenance of state colleges. Republican president, Rutherford B. Hayes (1877-1881), later proposed that Federal grants be made for public education.

"Whatever government can fairly do," wrote Hayes, "to promote free popular education ought to be done. Wherever general education is found, peace, virtue, and social order prevail and civil and religious liberty are secure."²⁰

Hayes was not a very reliable prophet, as the recent riots, turmoil and general breakdown of the legal and social traditions of the country have proved. Events in the 1930's in Germany, where public education had long been a tradition, also seem to show that education isn't the answer to all men's problems.

Republican presidents Arthur (1881-1885) and Harrison (1889-1893) continued pressing for Federal support. In 1890 the second Morrill Act was passed granting \$25,000 annually to each of the land grant colleges. In 1971 Congress appropriated 18 billion dollars in aid to education. Socialist enterprises have a way of growing on you.

In spite of all, socialist intrusions by the end of the nineteenth century represented a minuscule portion of American endeavor. The twentieth century has been quite different.

The Federal government entered the field of social security under President Franklin Roosevelt. Social security was not an invention of Roosevelt nor of his braintrust-

ers, Bismarck having imposed it in Germany many years before. From Germany the idea spread to the countries north and west of Germany until it reached the United States. In this country the material security an individual might attain was, prior to Roosevelt II, largely a private matter attended to by individuals themselves or by their relatives and friends, the latter often acting through churches and charitable or fraternal organizations. In addition to these private sources of material security, tax-supported services such as local "poor farms" were provided by towns, cities, counties, and states. Herbert Hoover and the Republican leaders of the 1920's and 1930's endorsed local tax-supported efforts and private charity as the solution to helping the needy. The socialism represented by tax-supported welfare was on a state or lower level. Roosevelt's contribution to socialism consisted of federalizing the old-time local socialist endeavors. Accompanying the federalization and wild expansion of these socialist activities there was a simultaneous and enormous transfer of power from individuals and local communities to Washington.

The socialism that has been with us almost since the founding of the republic has been sponsored

at times by the political ancestors of both Democrats and Republicans. Since the turn of the century, and particularly in the middle third of the century, both parties have accelerated their sponsorship. But it must be remembered that the politicians do not lead the people. They follow. ☉

• FOOTNOTES •

¹ Russell, Dean, *The First Leftist* which appeared in *In Brief*, vol. 7, no. 3, Foundation for Economic Education, Irvington-on-Hudson, New York, 1951, p. 7.

² Halévy, Elie, *The Era of Tyrannies, Essays on Socialism and War*, trans. by R. K. Webb, Doubleday and Co., Inc., N.Y., 1965.

³ *Ibid.*, p. 29.

⁴ *Ibid.*, p. 29.

⁵ *Ibid.*, p. 31.

⁶ *Ibid.*, p. 32.

⁷ *Ibid.*, pp. 32, 33.

⁸ *Ibid.*, pp. 313, 314.

⁹ Watterson, Henry, *Marse Henry, An Autobiography*, v. II, pp. 289-290.

¹⁰ *Ibid.*, pp. 158, 159.

¹¹ Huneker, James Gibbons, *Variations*, Charles Scribner's Sons, N. Y., 1921.

¹² French laissez-faire economist, 1843-1928.

¹³ Russian anarchist, nihilist, and terrorist who believed in anarchy excepting in organizations he controlled. 1814-1876.

¹⁴ German socialist and economist. 1825-1864.

¹⁵ See Huneker, *op. cit.*, pp. 111-120.

¹⁶ Clinton Rossiter quoted in Kimmel, Lewis H., *Federal Budget and Fiscal Policies, 1789-1958*, The Brookings Institution, Washington, D. C., 1959, p. 3.

¹⁷ See Kimmel, *op. cit.*, p. 16.

¹⁸ *Ibid.*

¹⁹ Federal deficit sharing, rather than Federal revenue sharing has yet to be proposed. It might be more appropriate.

²⁰ See Kimmel, *op. cit.*, p. 47.

Government Control of Private Schools?

JOHN P. CAHILL

I FEEL rather like the man in the science fiction novel, who has stumbled upon a great horror and is not believed until it is nearly too late. I have sixteen years of private education under my hat and wish the private schools of America nothing but prosperity.

So how can I be against the "voucher" system? Do I not realize that this system is designed to save the failing private schools and provide them with the needed financial assistance; that it is designed to promote the greatest amount of freedom of choice for the parent regarding the education of his children?

I know what it is designed to do. And I know that what it is designed to do and what it may in fact do, are not necessarily synonymous.

The scheme is designed to work this way: The level of government which has enacted the program will present to the parents of each child of school age a voucher representing an agreed upon amount of money; the parent will present this voucher as tuition to the school, public or private, where the child is enrolled; the school in turn will take this voucher to the proper government agency, where it will be cashed.

It is alleged that in this way everyone will be satisfied and freedom of choice will be preserved. Parents are happy; they may now send their children to whatever school they choose with no anxious thought for expenses. The private schools are happy; they will prosper and grow through the influx of new students and their vouchers. Religious schools are happy; they may now take advantage of

Mr. Cahill of Lakewood, California, plans to enter Law School in the fall.

the government largesse, and (as it is the parent that is being helped directly and not the school) the Supreme Court is not offended. The parish school will once more flourish throughout the land. Right?

Principles and Facts Ignored

Well, perhaps. And perhaps not. As a "conservative" program of action, the voucher system ignores some basic principles and obvious facts.

1. The unwillingness or inability of the users to continue to pay the tuition and operating costs of the private schools is one reason that they are in need of financial assistance.

2. This inability to pay is in no small part brought about by increased taxes and inflation caused by increased government deficit spending.

3. No one can give what he does not have. If the government is going to pay the expenses of all the children in private schools in addition to those in public schools, it must find a source for the additional funds that will be needed.

4. The government has two sources for these funds: increased taxes or further inflated currency.

Not to be forgotten are the additional hundreds of highly paid bureaucrats who will be needed to administer such a program. The

result will hardly be the great triumph of justice which is predicted:

- The taxes of everyone who pays school taxes will increase.

- Some of these taxpayers will now receive a return for their money which they did not receive in pre-voucher days.

- Those with children in the public schools will be forced to pay increased taxes with no increased return.

- Those with no children in any school will pay increased taxes and continue to receive *nothing* in return.

How anyone could think that confusion and injustice will be anything but compounded with the implementation of this scheme, I do not know. But let us face the issue squarely: there are few today who will permit themselves the thought that feeding from the public trough is other than a virtuous act. Nevertheless, there are other arguments which may hit home where economic and moral ones have missed the mark.

We live in an age in which government, at all levels, is anything but disinterested. The bureaus and agencies of government are peopled with men beset with the meddling urge as never before in history. Money distributed by the government has seldom had more strings attached than now. Busing

to achieve racial balance in the public schools is a good example.

The voucher scheme cries out to be used as an indirect licensing system for the private schools. There are already hints in the press that certain "modifications" and "safeguards" will have to be introduced into the program if it is passed. Private schools, for instance, that maintain a racial imbalance will not be able to cash their vouchers.

Some Perturbing Questions

There are other points upon which private, especially religious, schools might do well to meditate. Would a school be permitted to cash vouchers if that school promoted teachings contrary to the government policy, such as artificial birth prevention or abortion? Could a school with an "inadequate" sex-education program cash vouchers? Given the temper of the times, one would think that "accreditation" for participation would not come cheaply.

How could the bureaucrat think that it was other than his duty to "protect" the parent and child from the "misuse" of their new found freedom in a "below standard" school? May a school be dropped from the program because its graduates are untrained in sensitivity?

These thoughts must not be

overlooked. They are discussed every day in the educational establishments, whether public or private. To think that they will not be considered by the agencies administering such a program is naive. After all, someone must administer the program and it must be administered according to someone's norms; why not the ones prevailing in the educational establishments? When one considers the intellectual and bureaucratic environment, the voucher system does not augur well for the private schools. In the main, it will serve to make them less private.

Let us suppose that a school's administration elects to stay out of the program or, having been in for a while, discovers restrictions that it cannot tolerate and decides to withdraw. In the first case, those who elect to stay out of the program will not be relieved of the burden of financing it. And the ostensible intent of the scheme is to aid those who are not now partakers of the public moneys. The second case seems highly unlikely. A school would have to be very wealthy indeed to survive if it were to reject its prevailing source of regular income, the government. A school which had grown dependent on the program could be dealt a mortal blow if it withdrew or was expelled from the program. How many parents would continue

sending their children if the "free" tuition vouchers from the government were rendered worthless at this school, especially in the face of higher taxation to support the other private schools on the program?

Survival through Competition

But what of the private schools themselves? Won't they die out without some sort of government assistance?

Good schools will not die out. There is more to the plight of the private school than the ability of the user to pay. *Willingness* is a major factor. When the religious school is "secularized" or the denominational or other private school loses its tradition and becomes, in essence, no different than the public school, the sacrifice that a man must make to "pay twice" for his child's education loses all reason. Why should a man who is forced to support the public

school system pay again for a private school education if the product is like that of the public school?

A return to the first principles of their founders may not save private schools. But it is a first step, and a giant one, in the right direction. The voucher system is a step backward and downward into the mire of government control of all aspects of our lives.

The man who is truly interested in quality education will look first to principles of freedom and honor. He may check the government schools to see if education based on compulsion in attendance and support can truly inculcate these principles. And then he must decide whether the voucher system increases freedom and yields an education based on principle or whether it leads to dependence on government, government control of our lives, and education based on force. 

Educational Responsibility

THE PARENT can and should look beyond himself for specialized help in a proper education of his child, but neither parent nor teacher should be confused about the parent's ultimate responsibility or the proper role of the school in the upbringing of the young. Unfortunately, such distinctions have blurred in our society. The growth of the public school system has been more than matched by a bureaucracy to regulate its working.

IDEAS ON

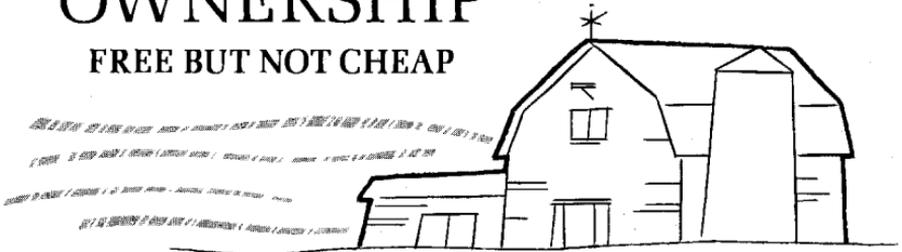


LIBERTY

GARY NORTH

OWNERSHIP

FREE BUT NOT CHEAP



Ownership of the means of production is not a privilege, but a social liability. Capitalists and landowners are compelled to employ their property for the best possible satisfaction of the consumers. If they are slow and inept in the performance of their duties, they are penalized by losses. If they do not learn the lesson and do not reform their conduct of affairs, they lose their wealth. No investment is safe forever. He who does not use his property in serving the consumers in the most efficient way is doomed to failure. There is no room left for people who would like to enjoy their fortunes in idleness and thoughtlessness.

LUDWIG VON MISES¹

THERE IS no more fundamental question in the field of political economy than that of the ownership of property. Marx, no less than Adam Smith, saw this clearly. Invariably, the question of ownership must raise the question of sovereignty. It also raises the

knotty question of stewardship.

The roots of Western Civilization extend back to the Hebrews. The message of the law and the prophets of the Old Testament returned again and again to the issue of ultimate sovereignty. The message was clear enough: God is sovereign, and not men, nor any human institution. All earthly, human sovereignty is therefore derivative and limited.

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The advent of rationalist and

outright anti-Christian philosophies shifted the language of the sovereignty issue, but not the difficulties. If God were removed from the day-to-day operation of the universe, then sovereignty would have to be found elsewhere. Eighteenth-century rationalists — from Adam Smith to Jean Jacques Rousseau, from the Physiocrats to the Jacobins — attempted to discover where sovereignty lies, in principle, in human affairs, and their answers concerning the abstract locus of sovereignty determined the kind of society they hoped to attain through the use of political action.² Obviously, they arrived at very different answers.

It is possible, of course, to imagine full sovereignty apart from organized institutions possessing the right of legal compulsion. Sovereignty might be claimed strictly on the basis of conscience: voluntary tithing to a church, for example, or voluntary taxation by the state (as some market advocates have argued). As a rule, however, where we find any institution which claims sovereignty and receives support from a majority of the citizenry, we also find compulsion. In the United States, the classic example is the shift in sovereignty from the state-established religious denominations that once received tax funds to support their

operations to the government educational institutions. The public schools became the institutionalized churches of the local communities, and recent court decisions indicate that they are about to become national churches.³ Those who officially denied that church and state ought to be linked, in most cases simply substituted a new priesthood for the older one, i.e., the one which no longer could convince a majority of citizens of its claims of sovereignty.⁴

In modern, industrialized nations, the conflict over sovereignty is between the state and the market. In the Soviet Union, and presumably in the other iron curtain countries, the conflict is four-way: national state, planning region, market, and Communist Party.⁵ As Ludwig von Mises puts it, the control of scarce economic resources can be handled in two ways: profit management or bureaucratic management.⁶ Both are legitimate in their own spheres, but in the modern economy, statist bureaucratic management seems to be triumphant everywhere we look.⁷

Our universe operates in terms of the fact of economic scarcity. *At zero price*, there is greater demand for than supply of economic goods and services. (If there is an equality of demand and supply, or an excess of supply, the goods are not economic goods, and therefore

they are not objects of human action.⁸) Those who possess skills or resources that are desired by the public at a price greater than zero must, by definition, act as stewards for those who are willing and able to purchase these desired products. No matter how secure his legal title to ownership, each owner must face the economic responsibilities of stewardship. This, in fact, is one of the miracles of market arrangements. The requirements of the many, considered as a collective unit, are met by the activities of individual men and women. The philosophical problem of the one and the many, which transforms itself into the problem of the collective and the individual, is answered in the realm of economics by the operation of the market. The fact that few men take the market seriously is indicative of the collapse of philosophical inquiry into this crucial intellectual problem over the last century.⁹

The Mixed-up Economy

The so-called "mixed economy" is one of the means by which men attempt to avoid the implications of the market's solution. "We are neither socialists nor capitalists" is a rallying cry for contemporary economists, theologians, and "practical" businessmen. These people think that they are saying some-

thing quite profound and very modern when they promote such a slogan. What they are saying is in reality quite muddled—the product of a lack of serious thought. To say that you favor neither full collectivization nor full economic anarchy is not saying anything at all. No one in a position of political authority advocates full collectivization, as the survival of the Liberman reforms and the private farm plots in the Soviet Union ought to indicate. Pure anarchism, while it may find more vocal and intelligent advocates than pure collectivism, has always been a tiny intellectual stream in human history. So the "neither socialist nor capitalist" slogan is not relevant as a philosophically unique statement. Mises, as usual, has seen the emptiness of such slogans, and he calls our attention to the crucial contribution the market makes in solving the problem of stewardship:

All attempts to abolish by a compromise the contrast between common property and private ownership in the means of production are therefore mistaken. Ownership is always where the power to dispose resides. Therefore State Socialism and planned economies, which want to maintain private property in name and in law, but in fact, because they subordinate the power of disposing to State

orders, want to socialize property, are socialist systems in the full sense. Private property exists only where the individual can deal with his private ownership in the means of production in the way he considers most advantageous. That in doing so he serves other members of society, because in the society based on division of labour everyone is the servant of all and all the masters of each, in no way alters the fact that he himself looks for the way in which he can best perform this service.¹⁰

Mixed economies do not stand still. They do not allocate resources and tasks according to permanent, fixed definitions. The mixed economy is a battleground for competing ideologies; without solid, concrete definitions of sphere sovereignty — rules that specifically limit, in principle, the operations of bureaucratic management and profit management — the idea of the mixed economy will remain an intellectual monstrosity and, in practice, a very poor means of getting things accomplished.

It is not possible to compromise, either, by putting part of the means of production at the disposal of society and leaving the remainder to individuals. Such systems simply stand unconnected, side by side, and operate fully only within the space they occupy. Such mixture of the social principles of organization must be considered senseless by everyone. No

one can believe that the principle which he holds to be right should not be carried through to the end. Nor can anyone assert that one or the other of the systems proves the better only for certain groups of the means of production. Where people seem to be asserting this, they are really asserting that we must demand the one system at least for a group of the means of production or that it should be given at most for a group. Compromise is always only a momentary lull in the fight between the two principles, not the result of a logical thinking-out of the problem. Regarded from the stand-point of each side, half-measures are a temporary halt on the way to complete success.¹¹

Serving Others

Is it really true that the market, as an impersonal mechanism, pressures individual citizens, in their role as economic actors, to satisfy the needs of their fellows? A brief analysis should help to answer this question in the affirmative. Consider the occupation of the farmer. He owns land and tools. He possesses skills and specialized knowledge. The more productive he is, the more specialized his labor and, presumably, his tools. These assets constitute his capital. The very fact of his legal ownership brings the problem of cost into the forefront: how much does it cost him to own his assets? The doctrine of alternative costs

tells us that he must forfeit the use of all those economic goods and services that he could purchase if he were to sell or lease his capital (including his human capital). He has chosen to remain the owner of these particular assets, but he must forfeit all those assets that are lower on his scale of values, but that might be purchased if he divested himself of the ownership of his present scarce economic resources.

There is only one way in which his legal ownership, and therefore control, of these scarce economic resources would cost him nothing. If he has absolutely no other desires than to be exactly what he is, where he is, controlling just these economic resources and no others. This is the ultimate goal of economic perfection toward which men strive, of course, but it does not describe the conditions of real, acting men. But it is only under this assumption, that a man has no other alternative uses for his capital or the assets that could be gained in voluntary exchange, that zero opportunity costs would prevail. So long as men have unfulfilled desires for additional scarce economic resources, they will bear the burdens of opportunity costs. They must choose one goal or set of goals and not another; they must select the appropriate means of achieving their economic goals;

they must exercise responsible choice.

"Every man has his price." Most of us believe this to be valid as a regulatory principle, despite the fact that we know that on some points in time, some men could not be compelled by the whip or induced by the carrot to respond to the desires of other men. Men are always trying to improve the economic conditions. This means that they must bear the costs of change in a world of limited resources. Even a decision to remain inactive is a decision: one forfeits the benefits that change would have brought. In short, there is always a trade-off in economic choosing, even in decisions not to trade at all.

Ownership, a Social Function

Any resource — human, animal, inanimate — which can command a price imposes costs on its owner. Each individual must use the resources under his authority in order to serve others, either through the mechanism of the market or the coercive power of the state. To the extent that the market is allowed to function as the sovereign authority over economic transactions, individual owners must attempt to meet the demands of other possessors of scarce economic resources, as registered on the market in terms of

discrete prices. Hence, total human autonomy is inconceivable. Those who argue that the market involves anarchy are unaware of how the market operates. Economic actors must meet the demands of the public if they are to survive. The farmer in our original example is required to use his land, tools, brains, and skills more effectively than do his competitors. If he obstinately or ignorantly refuses to do this, he will lose control over his resources. Under the market economy, a man holds his goods as a steward for other men; he cannot hold his goods autonomously. Under the free market, *ownership is a social function.*

The meaning of private property in the market society is radically different from what it is under a system of each household's autarky. Where each household is economically self-sufficient, the privately owned means of production exclusively serve the proprietor. He alone reaps all the benefits derived from their employment. In the market society the proprietors of capital and land can enjoy their property only by employing it for the satisfaction of other people's wants. They must serve the consumers in order to have any advantage from what is their own. The very fact that they own means of production forces them to submit to the wishes of the public. Ownership is an asset only for those who know how to employ it in the

best possible way for the benefit of the consumers. It is a social function.¹²

Is this a denial of the free ownership of private property? Absolutely not; it is the necessary concomitant of such ownership. It is therefore a denial of the *gratuitous* ownership of property. Nothing is free from costs under a market economy — not lunches, not talents, not even dreams, for dreams must use up that highly valuable and irreplaceable scarce economic resource: *time.*

Opportunity Costs

Men, in their decision to compete for access to some particular resource, bid up its price. By bidding up the price of an economic good, they impose higher and higher costs of ownership on all those who hold legal, exclusive titles to the good. These costs come in the form of opportunity costs. Since the scarce economic resource is now more valuable in the opinion of the public, it commands a higher price, and therefore the value of the resources that the owner could gain access to by selling his title of exclusive control to someone else is continually increased. He pays a price, moment by moment, for his refusal to part with his property; if he retains title to one piece of

property, he is thereby prevented from gaining access to other goods and services that his property could be exchanged for. If something commands a price, it is not gratuitously possessed. Free ownership may command very heavy costs. It is the right of free, exclusive control over property which makes the economic burden inescapable; the free market imposes responsibility with every grant of economic power.

The farmer who does not wish to sell his land, whether for sentimental reasons, or a fear of change, or a commitment to the ideals of rural life, or just to keep old Charlie Drackett from getting his dirty hands on the bottom forty, is thereby compelled to pay for his use of that land. He has to defend his possession of exclusive control, daily, in the market place. It is not his legal title that is in question; it is his economic ability to defend it against others who think they could use his property in order to better service the needs of the public. He does not have to defend it in the way his great-grandfather did — shooting Indians or revenueurs or Hatfields or McCoys — but by using it to satisfy the incessant demands of an unsentimental public. If he fails to do this, he suffers economic losses. He may have to dip into his life savings to keep his farm

going. He may have to go deeper into debt. Finally, if he continues to fail to meet the public's demands for more food, cheaper food, better quality food (or even lower quality food, nutritionally, if that is what the public wants), his mortgage will be foreclosed. The bank will sell it, or the tax collector will sell it, to the highest bidder. This highest bidder is a middleman. He is acting on behalf of the public. He thinks he can use the land and other capital assets more efficiently than anyone else can. If he is wrong, the process will start over again. Private property is held in stewardship for the public.

Title to property is not held by "the public." Titles are held by individual owners. But the market combines the myriad of discrete demands of many individuals and imposes costs on the possessors of all desired economic resources. No owner can resist the pressure of market demand without bearing these costs. Day after day, market pressures force all owners to ask themselves, "What's it worth to me to hold onto this?" The public responds, through the market, "You'll have to meet our price if you want to keep it." Day after day, all those who retain free title to a particular piece of property meet this price. They pay in the forfeited opportunities that might

have been: the vacation, the new car, the shares of IBM, and silence from "the little woman" who wants to sell out. This is the law of survival in the free market. May the best (most efficient) man win.

Ownership Contingent on Right Use

During the English Reformation the problem of the justification of ownership came to a head with the confiscation of the property of the monasteries. "The Reformation theorists," writes Richard Schlatter, "failed to solve their first great problem. They were not able to work out a theory which would justify large-scale confiscation and at the same time mesh with their other ideas about the nature of private ownership and its rights. For a consistent theory they substituted an emotional attack."¹³ They attacked clerics for their alleged misuse of wealth. But Sir Thomas More, the great Roman Catholic layman, answered this argument in *A Supplication of Souls*. If this is a valid premise for expropriation, he wrote, then there will be no end of expropriation. The King may use it against the church, but then the people will use it against the merchants (who bought the land from the King). Thus, concludes Schlatter, "The theorists of the Reformation could not answer More's argu-

ments without admitting the principle that all ownership was contingent upon right use. But no property owner was willing to grant that that principle should be enforced by any authority in this world. The theoretical problem was left unsolved."¹⁴

Economic vs. Legal Control

The solution to this theoretical problem is found in the analysis of the operation of the free market. Yes, ownership does depend, economically, on proper use of resources. The legal title, however, does not rest on economic foundations but on historical or formal legal principles. It is the magnificent fusion of the right of free legal ownership and cost-bearing economic control of resources which the free-market commonwealth provides that overcomes the theoretical dilemma of medieval property theory. Laws against the confiscation of private property insure the smooth operation of the free market, and this in turn produces a system of economic organization which requires each owner of property to assume the costs associated with the control of property. Mises summarizes it quite well:

Private property is a human device. It is not sacred. It came into existence in early ages of history,

when people with their own power and by their own authority appropriated to themselves what had previously not been anybody's property. Again and again proprietors were robbed of their property by expropriation. This history of private property can be traced back to a point at which it originated out of acts which were certainly not legal. Virtually every owner is the direct or indirect legal successor of people who acquired ownership either by arbitrary appropriation of ownerless things or by violent spoliation of their predecessor.

However, the fact that legal formalism can trace back every title either to arbitrary appropriation or to violent expropriation has no significance whatever for the conditions of a market society. Ownership in the market economy is no longer linked up with the remote origin of private property. Those events in a far-distant past, hidden in the darkness of primitive mankind's history, are no longer of any concern for our day. For in an unhampered market society the consumers daily decide anew who should own and how much he should own. The consumers allot control of the means of production to those who know how to use them best for the satisfaction of the most urgent wants of the consumers. Only in a legal and formalistic sense can the owners be considered the successors of appropriators and expropriators. In fact, they are mandataries of the consumers, bound by the operation of the market to serve the consumers best. Under capitalism,

private property is the consummation of the self-determination of the consumers.¹⁵

The confusion in men's minds between the concept of free legal title and gratuitous ownership has led to numerous injustices in political and economic affairs. Mistakes in analysis at this point too often lead to cries of political intervention to right some supposed wrong. People want the state to enforce false analyses that seem, in the short run, to benefit some special-interest group.

Some men believe that free ownership is gratuitous, and that the deviation from such a hypothetical universe is the result of "exploitation." They do not comprehend that they must defend their ownership in the market, satisfying the demands of the public efficiently. An example of this kind of erroneous thinking can be found in the case of American farmers during the great depression of the 1930's. It was not uncommon for farmers to face the foreclosure of their mortgages by the local bank, or else by the solvent bank which had acquired the assets of the bankrupt rural bank. (Over 9,000 banks suspended payments in the years 1930-33, *not* counting banks that merged with others and those closed temporarily by the states or the Federal government during

"bank holidays."¹⁶) Sometimes tax foreclosures would occur. In any case, local farmers would occasionally attend the auction, and a group of them would surround or threaten potential bidders, especially if they were outsiders to the community. Violence, or the threat of violence, was used directly to reduce the price of the bids, thus lowering the particular farmer's costs in regaining title to his farm. The true costs of operating the farm were therefore artificially reduced, thereby lowering the owner's burden of responsibility to the public, as registered on the open market.

Agricultural Legislation

This, however, was too crude and direct a form of violence to be used often, even when local law enforcement authorities permitted it. Violence could be applied far more effectively through state legislatures and the United States Congress. In 1934 three acts were passed by the Federal government, adding even further intervention into an already controlled farm market (e.g., the Farm Credit Act of 1933): the Farm Mortgage Refinancing Act, involving Federally insured loans; the Farm Mortgage Foreclosure Act, extending the authority to the Land Bank Commissioner to enable him to make loans to farmers, allowing them to re-

deem their farm properties prior to foreclosure; the Frazier-Lemke Bankruptcy Act, allowing the farmer who had lost his farm through foreclosure to demand a "fair and reasonable" appraisal and to repurchase his property over a period of six years at one per cent interest (interest rates were fairly low in the free market in these years, however). This last act was declared unconstitutional in 1935, but a similar act, shortening the repurchase time to three years, was upheld in 1936. In short, the coercive monopoly of legitimate power which belongs to civil government was applied in order to thwart the operation of the free market. Men successfully reduced the costs of ownership through collective violence or the threat of violence. Harold Underwood Faulkner, no supporter of the free market, has commented on the implications of these early policies of New Deal agriculture:

A survey of the farm legislation passed during the five years 1933-1938 make clear certain facts. First of all, "economic planning" was carried further with respect to agriculture than to any other economic interest. The government took upon itself the responsibility of attempting to determine both production and prices as well as maintaining soil resources and handling most of the

credit resources of the farmers. In the second place, this program was carried out at the expense of the consumer. Agriculture was to be a favored industry, with the taxpayer and consumer paying the bill. This, of course, did not disturb the farmer; he insisted that agriculture was now merely receiving protection as industry had long received it through the protective tariff. Finally, it should be noted that the government entered so definitely into the program of financing agriculture that by 1937 its agencies held about half of the long-term agricultural paper of the country. This was indeed a big step from the *laissez-faire* policies of a quarter century earlier.¹⁷

Exclusive Right of Access

Not only do men erroneously believe that free title to a piece of property ought to bring with it gratuitous ownership, but they also err in believing that the right to bid on another's property is, in and of itself, an exclusive possession of one bidder or one group of bidders. Such exclusive access involves a legal title, by definition. In other words, they think that their legal right to increase another's opportunity cost for retaining possession of his property is, in effect, their own gratuitously held prerogative — a titled right to exclusive control of one segment of the market. Trade unions, for example, call in the coercive power

of the Federal government (through the Wagner Act and the National Labor Relations Board) to defend their exclusive right to bid on a particular labor contract, utterly free from the outside competition from other workers who might be willing to work for less money. The members of such organizations assume that they have a legitimate right to hold a job (or gain access to one through the union) apart from the daily competition necessary to defend their presence in that particular occupation. They call in the state to create by fiat a title to that occupation by arbitrarily excluding others from bidding.

— to a Given Job

What members of a union do have title to is their ability to work. But members of such coercive structures think that because they have legitimate title to their labor they also should have legal title to an opportunity to exercise their talents in some specific occupation, apart from outside competition, thus forcing the employer's costs of operation higher than a free labor market would have permitted. They exclude other citizens who equally have title to their own labor, but who are not permitted to bid down the cost of hiring labor. By granting, by fiat intervention, ti-

ties of exclusive bidding rights to one group of laborers, the state effectively robs other men of their right to bid, and therefore of their right to exercise their personal talents.

By this confusion of the right to bid in the market and a title of exclusive access to that segment of the market, the state increases the employer's costs of operation, reduces the union member's opportunity costs (it does not cost him as much to retain his job, for outside competition for that job is eliminated, by state fiat), and it deprives nonunion laborers of their right to exercise their particular callings before God and society. A man's legitimate right to bargain for his job, continuously (or whenever his labor contract is subject to renewal), is transformed by state fiat and legalized coercion into his right to avoid continuous bargaining. A three-way bargaining structure — employer, union member, and non-union member — becomes, through the threat of state violence, a two-way bargaining structure, as the nonunion member is driven to accept other employment which he would not have chosen voluntarily. An exclusive title — a property right, in other words — is created by state fiat, where only a right to bargain in an open market had existed previously.

— to a Given Market Area

Trade union members are not alone in this confusion, unfortunately. Many, many businessmen involve themselves in precisely the same error. They use the interference of state violence to keep outsiders away from the market place. A three-way structure should exist: the consumer, the American producer, and the foreign producer. Instead, the American businessman seeks to make the structure a two-way arrangement: the consumer and only the American producer. Like the labor union member, he seeks to transform a right to bid in the market into an exclusive title of entry into the market. The usual means for this kind of operation is the tariff or the import quota. In principle it is identical to the activity of the state-supported trade union. Ironically, many businessmen who derive great personal satisfaction from castigating the "immoral" trade unions involve themselves in the same "immorality." The game is the same; state "protection" from outside interference — the exclusiveness of a legal title to private property. Instead of a legal title to dispose of their assets and skills as they see fit, in open competition, subject to the imposition of the burdens of the responsibilities of ownership, businessmen want title

to an exclusive right to dispose of their assets, apart from competition, apart from the full burdens (costs) of responsible ownership. Only the intervention of the state can grant such an escape from responsibility, so they call for the intervention of the state. Men simply like to enjoy the fruits of ownership apart from the responsibilities of ownership. They give up some of their freedom (or their neighbor's freedom) in order to escape from responsibility. They call for the creation of legal titles where none could exist on a free market.

Conclusion

On the one hand, the owner of an exclusive title — a property right — cannot escape the costs of ownership and the concomitant obligation to act as a steward of his goods for the public's benefit. He cannot escape so long as political intervention into the market does not occur. The fruits of ownership are not separated from the burdens of ownership. On the other hand, those who seek to make a bargain cannot, apart from state coercion or private violence, transform the right to dispose of one's own property (talents) into an exclusive title to dispose of that property on a specific market apart from entry by other property owners who wish to bargain with their

property. Titles of ownership refer to the control of property and skills by the owner; they do not refer to reciprocal relationships of exchange, where two owners seek to dispose of their property in a mutually acceptable manner. In fact, if exclusive titles are granted respecting the reciprocal human relationships, the rights of control over one's own assets are thereby diminished. The title to property, which involves the right of voluntary disposal of that property, is compromised when the state interferes in the market in which men seek to dispose of their property. By granting titles of exclusive access to certain markets, the state thereby revokes some of the rights of ownership. The rights of ownership involve both the right to bid and the right to be bid against. Compromise either of the last two rights, and you have compromised the original rights of ownership.

The *right to be bid against* is the provision of the legal structure which allows individuals in the marketplace to have the costs of ownership imposed on themselves and all other owners. Each time any group gets the state to protect it against the economic bidding of the public, it thereby reduces the efficiency of the market as well as the members' own responsibility to bear the full costs of ownership. The overall

wealth and overall freedom of the community are simultaneously reduced, because without efficiency, wealth is reduced, and without responsibility, freedom is reduced. If men would remain free, they must demand that they and their neighbors retain the *right of re-*

sponsibility. They must resist the attempts of men who would seek to escape both freedom and responsibility by lowering their competition from other participants in the market. Ownership is free, but not cheap. The same is true of freedom. 

• FOOTNOTES •

¹ Ludwig von Mises, *Human Action* (3rd ed.; Chicago: Regnery, 1966), pp. 311-12.

² Cf. Robert A. Nisbet, *Social Change and History* (New York: Oxford University Press, 1969), ch. 4; Louis I. Bredvold, *The Brave New World of the Enlightenment* (Ann Arbor: University of Michigan Press, 1961).

³ The concept of the public schools as America's only established church is brought forcefully in Sidney E. Mead's *The Lively Experiment* (New York: Harper & Row, 1963), ch. 4. Cf. R. J. Rushdoony, *The Messianic Character of American Education* (Nutley, New Jersey: Craig Press, 1963).

⁴ The separation of church and state, it must be stressed, came to the American colonies quite early; Rhode Island accepted the principle from the beginning. But orthodox Connecticut was forced to adopt it as a result of the religious tumult caused by the Great Awakening of the mid-eighteenth century; it was brought into existence by Christians, not secularists or the tiny handful of Unitarians and Deists: Richard L. Bushman, *From Puritan to Yankee* (Cambridge, Mass.: Harvard University Press, 1967), ch. 13.

⁵ Paul Craig Roberts, "The Polycentric Soviet Economy" *The Journal of Law and Economics*, XII (April, 1969): Herbert S. Levine "The Centralized Planning of Supply in Soviet Industry," (1959), in Wayne A. Leeman (ed.), *Capitalism, Market Socialism, and Central Planning* (Boston: Houghton Mifflin, 1963); Gary North, "The Crisis in Soviet Economic

Planning," *Modern Age*, XIV (Winter, 1969-70).

⁶ Ludwig von Mises, *Bureaucracy* (New Rochelle, New York: Arlington House, [1944] 1969).

⁷ Gary North, "Statist Bureaucracy in the Modern Economy," *THE FREEMAN* (Jan., 1970).

⁸ Murray N. Rothbard, *Man, Economy and State* (Los Angeles: Nash, [1962] 1971), p. 4.

⁹ R. J. Rushdoony, *The One and the Many* (Nutley, New Jersey: Craig Press, 1971), surveys the history of this vitally important philosophical problem. He argues that modern philosophers prefer to avoid discussing the issue because they have been able to find no secular answer to it.

¹⁰ Mises, *Socialism* (New Haven, Conn.: Yale University Press [1922] 1951), pp. 275-76.

¹¹ *Ibid.*, p. 276.

¹² Mises, *Human Action*, pp. 683-84.

¹³ Richard Schlatter, *Private Property: The History of an Idea* (New Brunswick, New Jersey: Rutgers University Press, 1951), p. 81.

¹⁴ *Ibid.*, pp. 86-87.

¹⁵ Mises, *Human Action*, p. 683.

¹⁶ *Historical Statistics of the United States: Colonial Times to 1957* (Washington, D. C.: Bureau of the Census, 1960), p. 636 (explanation of statistics on p. 619).

¹⁷ Harold Underwood Faulkner, *American Economic History* (5th ed.; New York: Harper & Bros., 1943), p. 656.

THE BEATEN TRACK

O F F

LEONARD E. READ

I HAVE long been intrigued by the seeming paradox that the more one knows the more he knows he does not know. This is another way of saying that every gain in knowledge increasingly exposes one to the infinite unknown.¹

Another aspect of this intriguing paradox: as a person grows in knowledge he is exposed to a new set of friends—and almost certainly faces a dwindling number of old friends. There are many ways to lose friends, of course, but what I am suggesting is that a dwindling audience is *not necessarily* a sign of failure; on the contrary, it may signify personal progress. This is the point I would like to explore.

Ortega presents us with the reality of this problem:

So far as ideas are concerned, meditation on any theme, if *positive and honest*, inevitably separates him who does the meditating from the opinion prevailing around him, from that which . . . can be called “public” or “popular” opinion. Every intellectual effort sets us apart from the commonplace, and leads us by hidden and difficult paths to secluded spots where we find ourselves amid unaccustomed thoughts. These are the results of meditation.²

Why dwell on this? A simple reason: if you are on the right track and gaining in knowledge but fail to read these signs aright, you may throw in the sponge simply because listeners are few; you may call it quits just before the dawn. In a word, I hope to

¹ See “*The Wisdom in Knowing I Know Not*,” *Notes from FEE*, March, 1971. Copy on request.

² *What Is Philosophy?* by Ortega y Gasset (New York: W. W. Norton & Company, Inc., 1960) p. 15.

present an antidote for discouragement, a way of viewing matters that will help to "keep the chin up." Not only yours, but my own! In the area of our concern, it is easy to mistake success for failure.

Why? Simply because success is often equated with a growing number of adherents, failure with a declining number, as if the quality of ideas and the quantity of better thinkers go hand in hand. We tend to expect that any improvement in ideas will automatically attract a wider audience; whereas, quite the opposite might happen.

**Popularity Contests —
Not the Path to Truth**

My thinking in this matter has been stimulated in part by a slight drop in FEE's mailing list over recent months, while at the same time we are told by others that our publications and seminars are better than ever before — and that we must do something to "reach more people."

Were numbers here and now the sole measure of success, then the recipe would be (1) a point of view consistent with "public" or "popular" opinion; and, (2) charismatic personalities. Examples can be found in the political realm: engaging and energetic copycats of the current consensus putting themselves in the vanguard.

Were ours just a numbers game, then we would attractively proclaim "free enterprise" and loudly decry "socialism." *And let it go at that!* For there are millions paying lip service to freedom and proclaiming opposition to socialism who are anxious to ally themselves with those of similar leanings — so long as the specific aspects of these opposed ways of life are left unexamined. But never, for heaven's sake, go beyond the generalities and attempt a detailed study of these ideologies! To do so assures alienation, a marked dwindling of old friends, perhaps a few new ones.

Our meditations at FEE over the past quarter century have been positive and honest. Even our detractors concede that we have so operated, and with consistency. In the beginning our position was more or less a generalization: in favor of freedom and opposed to socialism and other variants of authoritarianism. But the more we meditated, the more did some commonly accepted practices of "free enterprisers" and "anti-socialists" show up as bearing the seeds of socialism behind the labels. Further, we have never held the results of these meditations to ourselves for fear of giving offense, that is, we have not bowed to expediency.

For instance, some 20 years ago

we published *The Tariff Idea*, a critique of protectionism, the case for freedom in transactions. The criticisms we received were severe, and several large corporate supporters dropped FEE then and thereafter. Over the years all of our books and each of nearly 3,000 essays have, in one way or another, affronted the mores, gone counter to the current trends and accepted opinions. This is to say, we have upheld the basic principles of voluntary exchange, private ownership, limited government while, at the same time, challenging those flaws of coercive or governmental intervention parading under the name of free enterprise. Such unaccustomed thoughts are not popular!

To Find a Better Way

This is why the serious freedom devotees may not rely on numbers — popular acclaim — as an objective. For the prime requirement of such an objective is to stay on the beaten track, to go along with commonly accepted notions. But must we not abandon the beaten track if we would *find a better one*? To “go along” is to go without prospect of improvement. To play the numbers game is to accept the fallacies that ought to be exposed and displaced.

The soundness of a philosophy cannot be gauged by numbers of

followers. In this respect, the philosophy of freedom is similar to religion. True, we can count the financial supporters of the several religions and the church attendees, but these numbers reveal absolutely nothing as to the depth or profundity of religious convictions. Religious faith, so-called, is founded on diverse forces, ranging all the way from fear and superstition to cosmic consciousness. We must note, however, that all of the significant religions have been inspired by some *one* whose purity of thought — meditations, if you will — provided that rich spiritual insight which made possible the awakening of others.

High Mortality of New Ideas

Continuing the analogy, be it noted that each religion was, initially, an affront to “public” and “popular” opinion, a complete break with the mores. Each was born in an environment more or less hostile to its precepts. These initiators of high ethical, moral, and spiritual ideas have, in every instance, presented thoughts unfamiliar to most people at the time.

It is only when we make progress in learning what the ideal is, while standing foursquare therewith in our proclaimed positions, that we aid the cause of freedom. True, we will never fully compre-

hend the ideal, let alone realize it, but we can everlastingly strive for this purity in thought. Be certain of this: the nearer we come to knowing and upholding the ideal, the greater is the probability that the good society may emerge. Why? Because men can establish the good society only upon what is right and true. Upon that alone, and nothing else!

Fungus may be spawned by a muck heap; but the good society is the emergence and flowering of

the best there is in thoughtful meditation. The best flows always from one — the one who comes nearest to being the perfect exemplar. Viewed in this manner, the so-called problems of society break down to a level a person might comprehend. One's duty is not to fall in step with present imperfections but, rather, to strive for his own perfection. Upon whom, then, does the solution depend? Upon the world's most important person: YOU! 

The Personal Practice of Freedom

FREEDOM RESTS, and always will, on individual responsibility, individual integrity, individual effort, individual courage, and individual religious faith. It does not rest in Washington. It rests with you and me.

IDEAS ON



LIBERTY

Two things you and I can do, and two only. First, we can practice what we profess. Second, we can each preach, from our own personal pulpit, the principles we practice, whether that pulpit looks out upon a continent, a country town, or a single cottage.

As we thus prove our faith by our works — as we accept with diligence and devotion the responsibility for areas within our reach — as we inspire those about us and send them in turn to inspire others — we shall find that we are making an ever-increasing contribution to the accomplishment of our century's most challenging job.

Over and above all else we shall find — you and I, individually — that ours have become unconquerable souls.

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

12

The Scourge
of Inflation

A theft of greater magnitude and still more ruinous, is the making of paper money; it is greater because in this money there is absolutely no real value; it is more ruinous, because, by its gradual depreciation during all the time of its existence, it produces the effect which would be produced by an infinity of successive deteriorations of the coins. All these iniquities are founded on the false idea that money is but a sign.

— COUNT DESTUTT TRACY

* * * * *

MEN AT EASE and in comfortable circumstances must find it difficult to comprehend the sufferings of the Patriot armies during the War for Independence. These armies had to suffer, in addition to those tribulations incident to war, from lack of clothing, blankets, sufficient food, drink, transport, and many other of the necessities of life. Yet it is the judgment of the generality of historians that most of this deprivation was unnecessary and unwarranted. There was food aplenty in the states, and there was at least the potentiality of enough clothing. It may be added that there were enough men of the right age to have constituted overwhelming forces against

Dr. Carson shortly will join the faculty of Hillsdale College in Michigan as Chairman of the Department of History. He is a noted lecturer and author, his latest book entitled *Throttling the Railroads*.

those the British actually sent to America, and there was a potentiality for manufacturing adequate munitions for the war. (For example: "In 1775 the Union produced 30,000 tons of crude iron — one seventh of the world's total output.")¹ It is quite probable that the war could have been brought to a successful conclusion long before it was had these resources been devoted to the effort in sufficient amounts. They were not.

The main reason why men and materials were not brought to focus adequately on the war effort was the method used to finance the war. The successful prosecution of a war — any war — requires that a sufficient amount of energy and resources be diverted from other uses in order to accomplish the end of winning the war. To acquire the necessary goods and services, government enters the market. (This is not to deny that a government may acquire services, and sometimes goods, voluntarily from those who are actuated by principle or other motives. To the extent that this is the case, neither force nor the market may have come into play in the acquisition. But neither the War for Independence, nor any other known to this writer, were fought primarily with such resources.) Government may enter the marketplace in such a way as

to take advantage of the services offered in a market, or it may intervene in the market in such ways as to make that instrument virtually useless for its purposes. The market is a place where voluntary exchanges are made, where goods and services are sold to the highest bidder. When government enters the marketplace it becomes a bidder among bidders for the supply of goods and services available. What the government acquires there, others are denied, or vice versa.

Government Takes Goods

Before government can become a bidder in the market it must acquire goods and services, or their equivalent, for making exchanges. This necessity poses what is the most enduring problem of government: the government, as government, is not a producer of goods nor provider of services, and has none of these to offer in exchange. Before it can operate in the market, then, government must acquire these, or their equivalent, from those who own or produce them. In effect, government must take goods and services from those who provide and produce them. For this to be done equitably and justly, experience indicates that this appropriation should be spread over and apportioned among the producing citizenry.

Money has afforded a means for apportioning taxes and a way for government to enter the marketplace for trading without interfering destructively with the function of the market. In short, money can enable a government to use the marketplace as a major source of goods and services which it needs, particularly in war. For this to happen, however, government must respect the nature and character of money. Money is a medium of exchange, i.e., it is that through which are made exchanges of goods for goods, services for services, or any other combinations of these. What a given unit of money will command in goods and services in the marketplace is a ratio between the quantity of money and quantity of goods and services, as modified by the strength of the desires of all who have any of these in their possession or wish to acquire them. To put the matter concretely, if a bushel of wheat brings one dollar this means that the quantity of money is such, the quantity of wheat is such, the desire for wheat is such, and the desire for money is such, that one dollar is the price that will effect an exchange. If the quantity of money is increased, and all else remains the same, the price of wheat may be expected to rise in proportion to the increase of

money. A money tax enables the government to reduce the supply of money available to private bidders, and thus to become an effective bidder for its needs in the market.

Monetary Manipulation

It is theoretically clear, then, what the consequences would be if the government attempted to get its needs by simply increasing the money supply. It would reduce the quantity of goods and services a given unit of money would command. But why could the government not do this as a means of taxation, thus avoiding the onerous necessity of a direct appropriation of money? Of course, it could do this. Thomas Paine declared that this is just what the Congress did during the War for Independence. It would have cost ten or twelve million pounds sterling, he estimated, to have financed the war by ordinary taxation; "and as while this money was issuing, and likewise depreciating down to nothing, there were none, or few valuable taxes paid; consequently the event to the public was the same, whether they sunk ten or twelve millions of expended money, by depreciation, or paid ten or twelve millions by taxation; . . . And therefore . . . [the] debt, has now no existence; it having been paid, by everybody consent-

ing, to reduce as his own expense, from the value of the bills continually passing among themselves, a sum, equal to nearly what the expense of the war was for five years."² Thomas Paine was, as usual, an adept pleader of special causes, but he was no scholar, and certainly not an economic historian. His statement that everybody consented is simply not true, and he ignores both the ruinous train of consequences following upon the inflation and the question of whether or not it was effective in its object of providing for the armed forces.

It is not necessary, however, to explore the theoretical impact of the inflation further; it unfolds in the story of the financing of the war. The Congress and the states did attempt to finance the war effort primarily by the issuance of paper money. Congress issued what is known as Continental currency. The notes did not bear interest, as such currency sometimes did, but they were supposed to be redeemed by the states at a later date. Just how much was issued from the first issue in 1775 until an entirely new currency was issued in 1780 is in doubt. The estimates range from \$191,552,380³ to \$242,100,176⁴. It is commonly believed today to have been over \$200 million⁵. Even if an exact figure could be agreed upon,

however, we would still not know how much of the currency was in circulation, for it was extensively counterfeited. There were domestic counterfeiters; and the British government, as a matter of policy, attempted to destroy the currency by introducing counterfeit money.⁶

All accounts agree, however, that Congress issued more and more of the currency over the years through 1779. A recent estimate of the sums issued goes as follows:⁷

1775	\$ 6,000,000
1776	19,000,000
1777	13,000,000
1778	63,500,300
1779	90,052,380

This process of issuing more and more set in early. The initial issue was to have been for \$2 million, but before it had been accomplished Congress authorized another \$1 million.⁸ Before the end of the year \$3 million more was issued.⁹ This despite the fact that Congress had intended only one issue at the beginning. And, there were those who attempted to prevent the escalation. Benjamin Franklin said: "After the first emission I proposed that we should stop, strike no more, but borrow on interest those we had issued. This was not then approved of, and more bills were issued."¹⁰

The process of issuing more and

more of the currency and raising the amounts of single issues is easily explained. Once the money had been issued, it fell into private hands in return for goods and services. The government no longer had access to the currency. Congress then made further issues in order to have money to spend. The more it issued, the less the money was worth; larger and larger issues were made in the attempt to get the results that could be obtained by smaller issues earlier. Reliance on paper money has — for these reasons, and more complex ones where there are combinations of taxation and fiat money financing — a pyramiding effect.

Money vs. Currency

Why did the government not recover the money in some way? In general, this could have been done either by taxation or by borrowing, or some combination of these methods. The government did not retrieve the money for about the same reason it was issued in the first place, namely, to avoid taxes and because the credit of the Congress was not good. Before examining into the question of taxation and borrowing, however, one justification offered for issuing paper money needs to be explored.

Curtis Nettels, a present-day

historian, describes the justification for a Continental currency this way: "The Union as a whole suffered from an acute shortage of hard money; all the coin in circulation in 1775 would not have paid a year's expenses of the Continental Army." Some men at the time of the revolution held that a certain indeterminate amount of money is necessary to facilitate commerce. They thought that money could be issued up to the point of meeting the need without depreciating, but that once the point of sufficiency had been passed, the currency would begin to decline in value. It may not be an adequate reply to Professor Nettels to say that Congress could have issued \$10 trillion in paper money and it would not have been enough to pay "a year's expenses of the Continental Army," but the statement is correct. The only way I can make sense of the earlier idea is to suppose they believed that price is something inhering in the item offered for sale rather than being determined by supply and demand. Some clarity may be brought to the subject by distinguishing between money and currency. Money may be anything which serves as a medium through which some transactions are made. Currency is that which serves generally in an area to effect transactions. All currency

is money, but not all money is currency. Money becomes currency in one of two ways: either because it is wanted by traders and is in sufficient supply to effect transactions, or because it has been made legal tender by some government. The only purpose for making a money legal tender is to force it into currency when it would not be the currency on its own merits. The very fact that Congress relied upon tender laws and used even harsher measures to give their bills currency should dispose of the argument that they were issued because of a shortage of hard money.

The real reason for the Continental currency issues, then, was that Congress and the states were attempting to finance the war without levying taxes directly. They are entitled to some sympathy for the difficult situation in which they were trying to function, but no amount of sympathy alters the consequences of actions. Congress had no authority to levy taxes. With equal validity, it can be said that Congress had no authority to issue money. The truth of the matter is that Congress had as little and as much power as it could manage to exercise during the period under consideration. It had no constitution, hence, no constitutional limits on what it could do. Its members,

however, were delegates from the states. It may well be that had Congress attempted to levy taxes it would have been repudiated by the states or by the people. At any rate, Congress did not even attempt to levy taxes. It was not that the members could see no need for taxes. Congress declared, on many occasions, that the states should levy taxes. Elaborate schedules were devised for apportioning the costs of the war among the states. Solemn proclamations were issued urging the states to tax. For example, in 1777 Congress admonished the states to "raise by taxation in the course of the ensuing year, and remit to the treasury such sums of money as they think will be most proper in the present situation of the inhabitants. . . ."11

States Under Political Pressure

All this was of little avail. The states were not much more inclined to levy taxes to pay for the war than Congress was. One historian sums the matter up in this way: "Before 1780, most of the states shrank from collecting taxes for any purpose. Massachusetts did not vote any levy in 1776, and in 1778 resorted to a lottery to raise \$2,000,000. Virginia waited until 1781 before making a serious attempt to obtain revenue from taxes. The performances of

the other states were not much better."¹² There are several reasons for this state of affairs. For one, the hold of the state governments over the citizenry was sometimes precarious, particularly in states where Loyalists were numerous. Extensive taxation might have jeopardized the tenuous attachment which many had for their state governments. For another, the objection to taxation without representation by the British must have turned into a more general objection to taxation. This appears from the difficulty of collecting the taxes that were levied. "In Pennsylvania, for example, from 1778 to 1781, less than half the taxes assessed were collected; it was not uncommon for citizens to slam the door in the tax-collector's face — and get away with it."¹³ But, above all, legislators were currying favor with their constituents by avoiding taxation. Sumner said that the "governors of the States could not urge taxation and zeal upon the legislatures without a painful and unpopular contest. The members of a legislature who laid taxes must expect to return to their constituents to face grumbling and popular dissatisfaction."¹⁴

Instead of taxing to retire the Continental currency, the states issued large amounts of paper

money themselves. "The emission of all the states exceeded \$200,000,000. Virginia led the way, followed by North Carolina; then came South Carolina. Georgia, Delaware, and New Jersey exercised the most restraint."¹⁵

A minor stream that added to this flood of paper currency issued by Congress and the states was provided by domestic loans. Loan office certificates and certificates of indebtedness were issued to the extent of \$20 million.¹⁶ The loan office certificates circulated generally, one writer notes, "effecting essentially the same consequences as would have attended the issue of an equal quantity of paper money."¹⁷

Paper Declared Legal Tender

Successive interventions were made in the market, interventions which followed logically from the use of fiat money to finance the war. The first of these interventions was to make the paper legal tender so that it would circulate as money. The specific actions to do this were by the states. For example, the Council of Safety of Pennsylvania declared in 1776 that anyone who refused to accept the Continental currency would forfeit whatever he refused to sell and be subject to a penalty besides — all this for a first offense — and be banished from the state for a

second offense.¹⁸ In the same year, Rhode Island made both state and Continental notes legal tender. In addition to providing penalties for not accepting this paper, that state prohibited the buying of specie with paper or differentiating in prices of goods when offered gold or silver instead of paper.¹⁹

Sometimes even more drastic measures were authorized to make people take the paper money. When he was in command of forces at Philadelphia, General Putnam made this announcement: "In future, should any of the inhabitants be so lost to public virtue and the welfare of their country, as to presume to refuse the currency of the American states in payment for any commodities they may have for sale, the goods shall be forfeited, and the person or persons so refusing, committed to close confinement."²⁰ In a similar fashion, George Washington was authorized to take goods from those who refused the Continental currency and to arrest and confine them.²¹

Rising Prices — and Controls

With such Draconian measures to support it, the Continental paper money did circulate. But the more of it that was issued, the more it depreciated. The most noticeable effect of this to the public was a general rise in prices.

(Prices of particular goods and services rise and fall as demand and supply fluctuate even if the amount of money in circulation remains stable. And, given blockades and the kinds of demands incident to war, some prices would have risen inevitably during these years. However, the price increases were not only general but some of them are rises in Continental currency in relation to what they could be bought for in specie, which indicates that it was the currency which occasioned some of the increases.) Some of the state governments intervened in the market further by attempting to fix prices. As frequently happens, the legislators sought to control the effect — the rise in prices — rather than the cause — the increase in the money supply. Congress recommended that regional conventions be held to set prices for particular areas. The New England and Middle states held such conventions, but the Southern states south of Maryland steered clear of price controls. After a convention had agreed upon the general features of prices, it was up to the individual states to enforce the tariffs. The following is a description of penalties adopted by Rhode Island in 1777:

The penalty of demanding more than the tariff price was set at the

value of the article,— half to the State, and half to the informer. Any one who refused for his commodities the tariff price, and afterward sold them for any other goods, was to forfeit the value thereof, half to the State, and half to the informer. If complaint was made that articles necessary for the army or navy were withheld by monopolizers, the State officers and Judges or any two Justices of the Peace might issue a warrant to impress and seize the same, breaking open buildings. The goods were to be appraised by two indifferent men at prices not to exceed those of the tariff. Anybody who contracted to receive for labour or goods more than the tariff rates was to be counted an enemy of the country, and fined twenty shillings for every article sold of the price of twenty shillings or under, and a sum equal to the value of the article, if it was worth more than that.²²

The price controls, where they were at all effective, resulted in shortages. John Eliot wrote from Boston in June of 1777: "We are all starving here, since this plaguy addition to the regulating bill. People will not bring in provision, and we cannot procure the common necessaries of life. What we shall do I know not."²³ What they did, of course, is what people ever do: evade the regulations, barter, blackmarket, produce a money that will purchase goods, and find a variety of means to perpetuate the

market, however inadequate they are compared to the opportunities in a free market.

Army Requisitions

By 1778, the armed forces were finding it increasingly difficult to acquire goods with paper money. "Though paper money was taken, with more or less reluctance, in return for most things, some services were rendered only upon promises of receiving specie."²⁴ George Washington wrote in 1779 that "a wagon load of money will scarcely purchase a wagon load of provisions."²⁵ The country was in the grip of a runaway inflation. Every man of intelligence knew that the root cause was the increase of the money supply (much as this is known in our day), yet there was not the will to deal effectively with it.

To get supplies and transport, the army had to resort to its equivalent of barter, i.e., impressment and requisition from the surrounding populace. There had been some impressment, particularly of transport, from the beginning of the war; but by the time of the Yorktown campaign in 1781 this method seems to have been relied upon almost exclusively.²⁶ There was more and more of this done before 1781, however. By the latter part of 1779, supplies in general were being

requisitioned. On December 11, 1779, Congress "voted requisitions on the States for specific supplies of flour and Indian corn. December 14, they established a system of requisitions and contributions of this kind, Maryland alone voting no. February 25, 1780, an elaborate apportionment of requisitions for such supplies was made. . . . Each State was called upon for the staples which it produced."²⁷

The most drastic impact of inflation is that it tends to disintegrate and divide society, to turn employee against employer, the governed against the governors, the creditor against the debtor, the producer against the consumer, the populace against speculators, and so forth. Inflation tends to reverse the rules of economic behavior: where once it was prudent to save money, it becomes expedient to spend it; where once it was good business to supply consumers with durable goods, it becomes profitable to delay the sale; where once creditors were those who were better off, it now becomes good business to borrow money and repay it with a currency that is less valuable than when the loan was made. The solid citizen who is cautious and prudent can do well over the years by hard work, careful investments, and saving, when the money supply is stable.

His prosperity may well be described as virtue rewarded. Inflation sets the stage for wealth to be gained in a different fashion: by borrowing, by holding on to goods for the inevitable higher prices, and by attending closely to the swift changes in the value of the money. Such means of gaining riches are widely resented, particularly during a war.

Unhappy Consequences of Rampant Inflation

Men contemporary with events frequently described the consequences of the inflation as well as could be done. Josiah Quincy wrote these words to General Washington:

I am firmly of the opinion, and think it entirely defensible, that there never was a paper pound, a paper dollar, or a paper promise of any kind, that ever yet obtained a general currency, but by force or fraud, generally by both. That the army has been grossly cheated; that creditors have been infamously defrauded; that the widows and fatherless have been oppressively wronged and beggared; that the gray hairs of the aged and the innocent, for want of their just dues have gone down with sorrow to their graves, in consequence of our disgraceful depreciated paper currency. . . .²⁸

By 1778, John Adams could say that "every man who had money

due to him at the commencement of this war, has been already taxed three-fourth parts of that money. . . . And every man who owed money at the beginning of the war, has put three-fourth parts of it in his pockets as clear gain. The war, therefore, is immoderately gainful to some, and ruinous to others."²⁹

A historian who lived through that period has written :

The aged who had retired from the scenes of active business, to enjoy the fruits of their industry, found their substance melting away to a mere pittance, insufficient for their support. The widow who lived comfortably on the bequests of a deceased husband, experienced a frustration of all his well-meant tenderness. The laws of the country interposed, and compelled her to receive a shilling, where a pound was her due. The blooming virgin who had grown up with an unquestionable title to a liberal patrimony, was legally stripped of every thing but her personal charms and virtues. The hapless orphan, instead of receiving from the hands of an executor, a competency to set out in business, was obliged to give a final discharge on the payment of 6d. in the pound. In many instances, the earnings of a long life of care and diligence were, in the space of a few years, reduced to a trifling sum. . . .

That the helpless part of the community were legislatively deprived of their property, was among the

lesser evils which resulted from the legal tender of the depreciated bills of credit. The iniquity of the laws estranged the minds of many of the citizens from the habits and love of justice. The nature of obligations was so far changed, that he was reckoned the honest man, who from principle delayed to pay his debts. The mounds which government had erected, to secure the observance of honesty in the commercial intercourse of man with man, were broken down. Truth, honor, and justice were swept away by the overflowing deluge of legal iniquity. . . .³⁰

Decay of Public Virtue

George Washington wrote: "Speculation, peculation, engrossing, forestalling, with all concomitants, afford too many melancholy proofs of the decay of public virtue. . . ." And a writer to a New Jersey paper assessed the blame for this: "I do not say that the abundance of money is the only cause of the decay of virtue or increase of vice, but I say it is a very principal cause, it operates more this way than any other, yea, than all other causes put together."³¹

The inflation contributed much to the loss of confidence in the Congress, the state governments, and the very cause they were committed to at the time. The idea was advanced, when the first issues of paper money were made, that

its becoming currency would help to tie people to the cause of independence. Since the fate of the money — its eventual redemption — would depend upon the success of the revolt, those who came into possession of it would be committed to victory. So it might have been, I suppose, if the Congress had been content with one or two issues, if the states had refrained from issues, and if the govern-

ments had then turned to direct taxation. But the effect of issuing more and more was not only to reduce the value of the money but also to undermine confidence in the governments which issued it.

In fact, people began to suspect rather quickly that Congress would eventually repudiate its paper. To counter this fear, time and time again Congress reiterated the determination to redeem

The Function of Price

THE PRICE SYSTEM is the control board, the regulator, the thermostat — as it has been variously put — by which economic conduct is determined in a private-enterprise economy.

The guidance provided by prices has two main aspects. In the first place, by setting up judgments as to the significance of each factor the price system calls forth and allocates the available productive resources. Under the influence of price each factor flows into the channel which — according to the market's evaluation — promises the greatest result. In the second place, through the same market appraisal that directs the utilization of productive factors, the price mechanism awards shares in output to those who furnish personal services of various kinds, to those who — by accumulating and investing — provide the tools, and to all others who make contributions in the opinion of the market. Moreover, prices chart the course of the consumer as he utilizes the general claim to output which has been awarded to him.

From Shirtsleeve Economics: A Commonsense Survey by William A. Paton

it and denounced those who said that it would be otherwise. In 1778, Congress adopted the following resolution: "Whereas a report hath circulated in divers parts of America, that Congress would not redeem the bills of credit issued by them to defray the expenses of the war, but would suffer them to sink in the hands of the holder, whereby the value of the said bills hath, in the opinion of many of the good people of these States, depreciated; and lest the silence of Congress might give strength to the said report; resolved that the said report is false and derogatory to the honor of Congress."³² One writer notes that "as paper money depreciated more and more, the pledges of Congress in respect to its redemption were more frequent and intense in form of expression."³³

They Tried to Stop

Congress resolved in September 1779 to issue paper money only to the total of \$200 million. "Upon this mountain of paper," a modern historian has written, "Congress resolved to make its final stand. . . . But . . . the defiant proclamation of September 1779 proved the signal for another sharp selling wave in Continental money. By January 1780, the army was paying for supplies twice what it had paid in September

1779; and by March 1780, prices had risen four times above the level of September 1779."³⁴

At that point, Congress began the outright repudiation of its paper, though the culmination was to come later. In March of 1780, Congress devalued the currency by proclaiming that it should now trade at forty to one of gold or silver. To finance this exchange, new paper money was to be issued to be redeemed by the states by taxation. An elaborate plan was contrived for the retiring of the old currency and replacing it with the new. The plan did not work. There was no reason why it should. If the new money was more valuable than the old, it would not circulate, according to Gresham's Law, assuming the old money was still legal tender. In fact, the new money quickly fell to the same value as the old,³⁵ and the whole became virtually worthless by 1781. In March of 1781, Congress abandoned the acceptance of its own paper money as legal tender. It was now to be accepted only on a sliding scale that was supposed to represent its depreciation. Thereafter, it depreciated so rapidly that it shortly ceased to circulate at all.³⁶ Specie came out of hiding and replaced paper money as the currency of the land.

All these untoward events might

be accepted as the cost of the war, but only if the currency had enabled the Congress to bring the resources of the country to bear on the war effort. That, however, was emphatically not the case. On the contrary, the paper money plus the absence of significant taxation tended to disperse the resources of the country and the energies of the people. Congress and the states were continually short of money, whereas the populace had an abundance. In consequence, the production, transport, trading, and provision of goods and services were concentrated on the civilian population, and the armed forces received short shrift.

Suppliers Refuse to Cooperate

In the later stages of the war, as already noted, the army had to abandon the use of the paper money substantially and turn to direct methods to get goods and services. This was not only an inconvenient and inefficient method of gathering material but also made people resent the army. For example, here are reports of the situation in Virginia in 1781 — at a time when a major British army was concentrated there and Washington was about to win his greatest victory. An agent sent to impress transport reported: "I have been much perplexed, for after having im-

pressed them, the owners of some, by themselves or others, have taken, in the nighttime, a wheel or something to render them useless; and I don't recollect any law to punish them, if it could be proved." The Quartermaster wrote to the war office: "Let me entreat, sir, that something may be done to draw the people with their means of transportation into the service willingly. I find them so opposed to every measure that is oppressive that it is almost impossible to effect anything of consequence that way. Many of the teamsters upon the late occasion have deserted with their wagons after throwing their loads out at improper places. . . ." ³⁷

Nor were taxes in kind a way to get goods where they were wanted. General Washington wrote to the President of Pennsylvania in 1782: "A great proportion of the specific articles have been wasted after the people have furnished them, and the transportation alone of what has reached the army has in numberless instances cost more than the value of the articles themselves."³⁸ It is not difficult to explain why this was so. The commodities had been taken without reference to a particular need, had been stored where no army might appear, except by accident, and were often spoiled when they were wanted. By contrast with this poor

form of barter, the market is an efficient and felicitous device when acceptable money is in circulation; the market tends to make the goods available where and when they are wanted, and money is flexible: it can call forth a variety of goods.

The American cause was not lost as a result of the inflation. It was won despite the inflation. But victory was almost certainly delayed for several years; much suffering resulted; and the peo-

ple's confidence had been sorely tried. Indeed, we have not finished yet in this work with the consequences of the inflation, for they followed into the Confederation period. But the lessons of the experience were not lost on the leaders of that generation. In time, they were used to try to prevent a recurrence of the mistakes. Unfortunately, we cannot report that these lessons are still remembered to the seventh generation. 

• FOOTNOTES •

1 Curtis Nettels, *The Emergence of a National Economy* (New York: Holt, Rinehart and Winston, 1962), p. 42.

2 Quoted in Albert S. Bolles, *The Financial History of the United States*, I (New York: D. Appleton, 1896, 4th ed.), p. 208.

3 See Nettels, *op. cit.*, p. 24.

4 See William G. Sumner, *The Financier and the Finances of the American Revolution*, I (New York: Dodd, Mead, and Co., 1891), p. 98. Sumner indicates that one estimate runs well over \$300 millions, but that it includes reissues.

5 See John R. Alden, *A History of the American Revolution* (New York: Alfred A. Knopf, 1969), p. 255.

6 See Bolles, *op. cit.*, pp. 150-57.

7 Nettels, *op. cit.*, p. 24.

8 Bolles, *op. cit.*, p. 39.

9 *Ibid.*, p. 43.

10 *Ibid.*, p. 39.

11 *Ibid.*, p. 193.

12 Nettels, *op. cit.*, p. 24.

13 John C. Miller, *Triumph of Freedom* (Boston: Little, Brown and Co., 1948), p. 458.

14 Sumner, *op. cit.*, p. 274.

15 Nettels, *op. cit.*, p. 25.

16 Samuel E. Morison, *The Oxford History of the United States* (New York: Oxford University Press, 1965), p. 230.

17 Bolles, *op. cit.*, p. 260.

18 *Ibid.*, pp. 121-22.

19 Sumner, *op. cit.*, pp. 46-47.

20 Bolles, *op. cit.*, p. 119.

21 *Ibid.*, p. 121.

22 Sumner, *op. cit.*, pp. 56-57.

23 *Ibid.*, p. 61.

24 Bolles, *op. cit.*, p. 68.

25 *Ibid.*, p. 132.

26 See Sumner, *op. cit.*, pp. 142-52.

27 *Ibid.*, p. 239.

28 Bolles, *op. cit.*, p. 139.

29 *Ibid.*, p. 128.

30 *Ibid.*, pp. 176-78.

31 *Ibid.*, p. 216.

32 *Ibid.*, p. 206.

33 *Ibid.*

34 Miller, *op. cit.*, p. 463.

35 See Sumner, *op. cit.*, p. 86.

36 *Ibid.*, pp. 94-95.

37 *Ibid.*, pp. 152-53.

38 *Ibid.*, p. 243.

Next: The American Triumph.



The Pine Tree Shilling



KEVIN CULLINANE

BOSTON was a hustling frontier trading center in 1652 when a young goldsmith, at the urging of hard-pressed merchants and artisans, began minting coins of value they could trust. Only 32 years had passed since the landing of the *Mayflower*, but already the industrious frontiersmen suffered from having debased European coinage traded off to them before they could learn of the latest currency inflations being worked by the rulers of Europe.

Dutch ducators, guilders, rix-dollars and ryals; Portuguese jannes, moidores, reis, and crusadoes; French livres; and Spanish doubloons, rials, dollars and pistoles circulated side by side with English coins in the colony whose merchants were eager to trade with all comers.

But what to do about the fluctu-

ating values of these varied European coins so unpopular in local trade? The answer to their coinage problem came at a meeting in Boston in 1652 when the men of the business community agreed among themselves to purchase, use, and mutually honor coins which would be produced by a local goldsmith. Accordingly the colony's General Court granted a franchise to Capt. John Hull and his partner, Robert Sanderson, to mint twelvepenny, sixpenny and threepenny coins. The early Puritans were ready to turn to the marketplace for their money, sturdily ignoring the prohibitions of their English rulers.

The twelvepenny coin became the famous Pine Tree Shilling. After several modifications it was stamped with "Masachusetts" and a pine tree on one side, and "1652" and "New England" on the other.

Today the coin is little mentioned in books, articles or pamphlets dealing with coinage and

Mr. Cullinane is co-founder and Academic Director of the Academy of the Rockies, a one-year work—study—adventure prep school at Bonners Ferry, Idaho.

monetary problems and that's too bad, for of all the marketplace coins produced in America, the Pine Tree Shilling was the first, and one which adhered most closely to the principles of coinage integrity. The particularly sound policy of the Pine Tree Shilling minters was their practice of striking coins only when a customer came to their shop, bringing his own silver with him.¹ What a check on inflation!

Most minters — government or private — using their own supply of metal, mint coins in whatever quantity they think expedient, and assign them a value. The metal may or may not be of high value; a dollar coin may be minted of 90¢ worth of silver, for instance, or 10¢ worth of cupro-nickel. The difference between the 10¢ worth of metal and the \$1.00 cost to the public is kept by the mint. That difference is called *seigniorage*, implying a lordly right of the ruler to such profit.

This system of minting allows the minter — in most cases the government — to control and manipulate not only the quality of the currency, but also the quantity

which will be available to the marketplace. This is why it is said that those who control the currency control the commerce of a country.

Captain Hull and Robert Sanderson did not control the quantity of coinage minted for the marketplace; the marketplace — their customers — controlled the quantity. The two minters limited themselves to guaranteeing the quality of the coins. They produced 100 shillings for every fifteen ounces of silver brought in by their customers; each shilling was guaranteed to contain .15 ounce of silver. In establishing the silver quality they desired, the merchants and the General Court purposely kept the content of silver at three-fourths that of the English shilling. They hoped thereby to keep the coin in the Boston area and to prevent its moving, *a la* Gresham's Law, into European trade.²

² In this the Bostonians were foiled; the coin did move out into international trade. Because the Pine Tree Shilling contained the same quality alloy as the English Shilling, it did not matter to the Europeans that it was a lighter coin. Its value was simply three-fourths the value of the English Shilling — if the English Shilling was valued at twenty cents, the Pine Tree Shilling's value was fifteen cents. As a result of this international acceptance, the General Court attempted to halt its natural outflow by imposing a heavy fine upon anyone caught exporting more than twenty of the coins.

¹There are a few other instances of this minting policy in American history. For an interesting account of post-Revolution private minting see, William C. Wooldridge, UNCLE SAM THE MONOPOLY MAN (Arlington House, New Rochell, New York) Chapter 3.

An Honest Assay

Into Hull's small mint came silver buttons, tankards, goblets, knives, old sword hilts, spoons and European coins to be assayed, melted down and converted into the Pine Tree Shilling. Bullion from Peruvian mines, sometimes taken by privateers from Spanish galleons, found its way to the Boston melting pot as well.

Often the pieces to be melted contained a higher percentage of silver than the finished coins, which were alloyed with copper, so an honest assay was important. To determine the silver content of the variously shaped family pieces brought into their shop, the two men used the technique developed nineteen hundred years earlier by Archimedes: the pieces to be melted were weighed, then submerged in a tub of water which was filled up to an overflow spout so that the object spilled its exact volume of water into a measuring vessel beneath the spout. Given the volume of the object and its weight, the minters computed the percentage of silver it contained.

Their fee was handsome — they kept one out of every twenty shillings minted plus wastage — but their risk was great as well, for though they were providing a much needed service, they were also turning their backs on a re-

striction imposed by the English government which expressly forbade private coinage in the colonies. Risky it may have been, but the Bostonians were ever an independent lot, and they needed honest coinage in their commerce.

With reliable coins of intrinsic value, hard work by the colonists was more easily rewarded. Merchants and artisans could sell their goods or labors rather than barter, and they could save the coins they received until they wanted to spend them. So useful and popular was the Pine Tree Shilling that the English government chose to ignore its existence rather than attempt to suppress its circulation; an important early step toward independence was taken 129 years before that fateful April morning in Lexington.

After the American Revolution — and both before and after the Constitution — private minters supplied Americans with coins of integrity, and thousands of merchants have minted private tokens to be used in their transactions. But the proud silver coin — the Pine Tree Shilling — was the first. And like so much that emanated from the first generations of New Englanders, it was honest, independent and reliable; an important part of our free-market heritage. 

ZONING LAWS: the case for repeal

DAVID J. MANDEL

It is my argument that an analysis of our experience with zoning laws since the passage of New York City's comprehensive zoning code of 1916, the model for most of the zoning codes of the United States, compels the conclusion that zoning laws do not accomplish what they were supposed to accomplish, that their premises are faulty, that zoning is an irredeemable failure, and therefore, that zoning laws ought to be repealed. The argument is made with special reference to New York City but without limitation to it or to metropolitan areas.

A proposal to repeal any 20th century social regulatory legislation is usually greeted with a sharp intake of breath and then

the muttered pejorative, "laissez-faire." Zoning codes, an expression of our desire to act rationally and to use the tools of modern science to respond to human needs, have until quite recently been generally regarded as immune from fundamental attack. In the last few years even the most passionate admirers of the idea of zoning have noticed that zoning laws are not entirely benign. The time is ripe to consider afresh the premises of zoning and its effects.

A modern comprehensive zoning code draws a map dividing the area into separate use zones, commercial, residential and industrial, usually further broken down into subzones. (The latest New York City zoning code, 1960, establishes 41 types of commercial zones, 12 types of industrial zones, and 13 types of residential zones.) Besides establishing use zones, zon-

Mr. Mandel is a practicing lawyer in New York City. This article is reprinted by permission from the December 1971 issue of *The Architectural Forum*. Copyright 1971 by Whitney Publications, Inc.

ing codes set formulas regulating the bulk and height of structures within each zone and subzone.

The social value of legislating separate use areas is open to serious question. To be sure, separation of land uses is a natural process that occurs in the absence of zoning. It is natural for businesses to cluster, for heavy industry to occupy certain terrain, for single-character residential areas to develop at certain places at certain times. To the extent that zoning simply recognizes the natural process, it changes nothing and causes no loss. Wherever zoning has operational effect it mandates a use that is not natural (i.e., one that would not occur in the absence of zoning) and perforce it mandates an unnatural allocation of resources that tends to impoverish the total community. In contemporary terms, it is bad ecology.

It is bad ecology partly because it regards the interest of some proximate land users as the equivalent of "the general interest." The entire organism, the total community, is thrown out of balance for what is presumed to be the interest of a local part. Assume, for instance, that an area is zoned for one-family homes, minimum lot size one-half acre, and that a builder proposes to build a highrise apartment build-

ing on a part of that area. The proximate land users, or even only a majority of them, want zoning restriction as protection for their interest in maintaining "the character of their community." But protection of their interest means a loss to the owner of the land, an injury to his interest; it deprives workmen of jobs; it deprives the potential apartment dwellers of the opportunity to rent or buy quarters that they might want and be willing to pay for. It prevents concentrated use where concentrated use is indicated by the willingness of someone to risk his money and consequently condemns a greater quantity of land to development in order to house the same population.

Is It Fair?

One may also question the fundamental fairness of allowing the residents of subdivisions to use the political process to insure that their neighbors will not live in apartment houses or be less affluent than they, or will not construct homes appreciably smaller than theirs, or build a factory. In effect, zoning grants to a local majority the right to exclude which is the essence of ownership.

The rationale for allowing B to exercise rights of ownership over A's land ought to be found in the

impact to B of A's proposed use of A's land. Any use that A puts his land to will have some impact on B. On one end of the scale are those uses that palpably impact on B, those uses that may be thought of as "overflowing uses." When A creates noxious smells that waft over to B's land or A creates noises that substantially disturb B, A is really using not his own land but B's. The fairness of allowing B or a governmental agency as representative of B, to restrain A from overflowing use seems clear. Traditionally such conduct is controlled by the law of nuisance, civil and criminal.

The case is otherwise where A's proposed use has "minimal" impact on B's enjoyment of his land. Then the Common Law is neutral, confessing its inability to judge, absent overflowing use, whether there is greater merit in A's proposed use or in B's demand that it be restrained. Since in this example it is impossible to discern rationally whether there is more merit in one course or the other, the basis for zoning's claim to fairness must rest elsewhere than in its ability to balance competing interests fairly.

Restraining the Majority

It is in the employment of the political process, the will of the majority as expressed by a fairly

conducted vote, on which zoning's claim to fairness must rest. But to equate "majority rule" with "fairness" or "democratic process" is terribly inexact. We may assume that "majority rule" is fair when applied to the political process (although its best justification is practicality, not fairness). But we are bound to conclude that the hallmark of the democratic state is its restraint in applying the political process to the activities of its citizens.

Since zoning is only one of a host of forces shaping land use it is difficult to measure its practical effects. There certainly is no evidence that the introduction of comprehensive zoning has improved the amenities of cities and substantial evidence that it has reduced them.

Changing Technology

The draftsmen of the 1916 zoning code of New York City began their work in 1913 and it lasted without substantial revision until 1939. Like all zoning plans it was drawn in the light of technology generally available some years earlier and it was addressed to problems set in motion decades or centuries earlier and then apparent. The decent motives of those draftsmen and their competence are unquestioned but their forward vision had to be small. Their

image of the ideal city was heavily tinted by their memories of a more bucolic and less populous city of their youth. They were constrained to project the future as a virtually straight-line extension of the past. They simply could not (nor could anybody else) anticipate and plan for the tumultuous events of the next 23 years: United States entry into World War I, the virtual cessation of immigration after 1924, the Great Depression, the ubiquitous and ferocious automobile, airconditioning, the supermarket, penicillin.

Clouded Crystal Ball

The planners' cloudy crystal ball, focused on the presumed unhealthiness of the towering office building, engendered the zoning ziggurats, the wedding-cake buildings that mar the horizon without lessening congestion in any meaningful way or adding to the comfort of office workers. The zoners' fondness for and familiarity with row houses and their evident antipathy to tenements promoted the construction and the retention of smaller houses. Dwellings adequate according to the standards of 1919 or 1925 but decrepit and dilapidated 30 or 40 years later often cannot be restored to livability and economic usefulness because of zoning restrictions. Inner city areas are thus condemned to total

devastation before rebuilding can begin. Neighborhoods that might have survived in changed but recognizable form are totally obliterated, their diversity and their humanity trucked away with the rubble.

Lack of Flexibility

The consequences of the inherent lack of flexibility of zoning are multifarious. Some land stays idle awaiting industrial use that never arrives. The assemblage of economically buildable parcels is made unnaturally expensive because builders must pay not only for the inherent value of land but also for the value conferred by zoning. Tax rolls are permanently maimed and the economic viability of the city endangered because tax concessions can be extracted for large scale development where small scale and piecemeal rebuilding is hampered by zoning restrictions. Long after neighborhoods have been thoroughly run down and all but abandoned they continue zoned for residential use, the nonresidents thereof protected from industrial incursion. Where zoning's mortmain prevails, sound residences now too large for single-family occupancy will often decay to total uselessness before a new use as shop, store or multi-family residence is permitted by grant of variance or rezoning. The

hub city stagnates while green areas at the city's fringe or in the suburbs are paved over. Multitudes are condemned to commuter trains who, but for zoning, might have lived in comfort close to their work.

Freedom Encourages Excellence

One of the goals of zoning was a better-looking city. Sadly, the goal remains unrealized. Zoning provokes monumental errors. Dissatisfied with the wedding-cake structure induced by the previous code, misled by the fortuitous excellence of Lever House and the Seagram Building, the 1960 code draftsmen granted height premiums for deep, ground-level setbacks. The result: Sixth Avenue, lined with surly, remote towers disdaining mere commerce, without a drug store or a delicatessen, inhumanly neat, without shelter or human scale for three-quarters of a mile.

Repealing zoning is no guaranty of architectural excellence. One thing is certain, ugly buildings will continue to be built. But architectural excellence is encouraged by freedom not by conformity to stale committee judgment.

Variations and rezoning are insufficient remedies for zoning's rigidity, its basic conservatism. Both do add some flexibility; both are objectionable. Proceedings for

variances from zoning's rigors, limited in scope to begin with, are expensive and time-consuming. They are a potent source of graft and neighborly extortion. Spot rezoning is so patently unfair it is unconstitutional. Comprehensive rezoning has to be so infrequent that it adds only minimal flexibility. "Discretionary zoning" is undisguised tyranny.

A Proper Blend of Uses

Has zoning increased the amenities of the city by legislating the separation of residential, commercial and industrial use zones? In much of New York City an observer uninformed of the existence of such zoning would be hard pressed to discover it for most areas exhibit a blend of uses. In much of Manhattan, for instance, the separation is a matter of a few feet, around the corner, across the street. Even so, Park Avenue between 59th Street and 95th Street is no more pleasant and a lot duller without stores and offices than Madison and Lexington with them. In mid-Manhattan and for certain people, at least, the quality of life is not diminished by proximity to commercial activities and may even be enhanced by it. Vertical separation is sufficient for comfort. Indeed, the City of New York has recently begun to encourage the construction of buildings with

offices and stores below and apartments above, an arrangement that zoning restricted for 50 years.

The minimum conclusion is that a blend of commercial and residential uses does not by itself make for unpleasant living.

Residential and Industrial

The compatibility of residential and industrial use turns entirely on the question of overflowing or nuisance use. There is otherwise no categorical answer to the question of whether the operation of a factory at any spot on a map will diminish the amenities of a nearby residential area. Zoning treats the problem of overflowing use in the grossest terms, quarantining the patient instead of trying to cure the disease and coincidentally creating enormous traffic problems by confining factories to remote areas. To assert that this quarantine approach of zoning has contributed to the intensity of our present pollution problems is not wrong. Governmental coercion ought to be directed at compelling factories to confine their business to their own land so that they are unobjectionable neighbors wherever they are. The quality of life is not and ought not to be dependent upon legislative separation of residential and industrial areas.

Zoning's bulk and height limitations turn out to be equally irrele-

vant to the quality of life. People can live and work in very large buildings in great comfort and in smaller ones in squalor; the contrary is also true.

Old Problems Remain; Zoning Brings New Ones

From these conclusions one further conclusion can be drawn. The unlovely city is not caused by a lack of zoning and is not helped by zoning. Zoning simply creates a new set of problems.

No zoning plan can be devised that does not exhibit the deadly defects of the zoning plans dealt with here. Zoning plans face the problems of the future with the full confidence that they can prevent 1915 or 1938 or 1959 from ever coming back. They are and have to be drawn in the light of old technology, old resources, old problems and old ideas. They are inherently inflexible, unable to adjust to new technology, new resources, new ideas, new needs. Zoning plans can confer order, but the order is the order of the cemetery or Williamsburg. Zoning, like all ecosystem modifications, itself produces effects unforeseeable when the plan is made. The greater zoning's scope the greater the chance that these unforeseeable effects will cause monumental and persistent harm. To argue that the huge size and complexity of mod-

ern cities make imperative the imposition of zoning is quite untrue. The larger and more complex the ecosystem the less likely that it can be controlled by plans set years before.

After a half-century of comprehensive zoning in an era of increasing regulation it may be somewhat hard to accept the idea that places can flourish without zoning, but they always have and

they do so now.¹ For all these reasons I conclude that the most acceptable order of land use will arise without zoning just as the public press will have its most acceptable order without censorship.

¹ Though my grandfather warned me that "for example" is no proof," interested readers are directed to examine Houston, Texas, which has never been zoned and which is the subject of an admirable article by Bernard H. Siegan, "Non-Zoning in Houston," *Journal of Law and Economics*, April, 1970. 

Incompatible Systems

BY DEFINITION, zoning is an interference with the right of ownership. When an owner of a property may use such property, consume it, give it away, exchange it — all as he wishes — that is ownership. Zoning reduces his latitude of action by political restrictions that prevent certain possible uses and require others. *Zoning* and *owning* are different systems of determining land use. Either the land will be privately owned and its use determined by the owner to his greatest satisfaction from the choices available to him in the market place, or the land will be used as directed by government.

Zoning and *owning* are incompatible. Since the former is an interference with ownership, zoning at best is a "respectable" mid-twentieth century form of theft of an owner's right to own. Whenever the right to own is removed, restricted, or eroded in any manner, society declines toward a lower level of economic goods that is matched by a lower level of spiritual and moral values.

From "Zoned or Owned?" by JOHN C. SPARKS

IDEAS ON



LIBERTY



PLAYING the percentages may let you down: a well-protected political candidate, for example, can be shot in a suburban shopping center by a kook trailing him from a distant city, which means there is no absolute safety anywhere. But David and Holly Franke, distressed by poll findings that one American in eight would like to move abroad to escape crime, drugs and long-distance busing to poor schools, decided to go by the percentages anyway. They got out the FBI crime reports, looked up the places with low rates of homicide and forcible rape, and wrote to a thousand promising U.S. communities for information about local conditions. Then they set out on an automobile tour of America to have a look at forty-six communities

where it seemed that life might still be happy, tranquil, profitable and at least relatively free of the fear that the U.S. is doomed to a continuing steep decline.

The result of this unique odyssey is a gigantic volume of 932 pages, *Safe Places* (Arlington House, \$13.95). The book is part narrative and description, part sociological analysis, and part encyclopedia. The easy reading alternates with the dry statistics of real estate offerings, job opportunities, teacher-pupil ratios, public tennis courts and all the other things that one must consider if one is to pull up stakes and make a move to a new place. Thus the book makes its appeal to two classes of reader, the person who wants an answer to the question of

"Whither America?," and the genuine seeker for a new life where he won't be mugged or murdered if he takes a little stroll after dark. The first type of reader will skip much of the material that tells of such things as the availability of savings banks and the proximity of golf courses; the second type, with real commitments to make, will want to ponder every word.

Good News — and Bad

The good news of the Frankes' book is that there are many spots throughout America that retain their beauty and their calm along with the opportunity to make good livings at interesting jobs. They can be found in New England, in towns such as Farmington, Connecticut, or Camden, Maine; in the Deep South along the Gulf Coast (Fairhope, Alabama, sounds absolutely delightful); in Arizona (the Flagstaff area); even in the supposedly flat Middle West (see Tiffin, Ohio, or Winona, Minnesota.) Surprisingly, there is a safe and lovely town within shouting distance of New York, as the Frankes learned by dalliance in Nutley, New Jersey. Highland or lowland, desert or four-season Northland, there are good places for all tastes in the continental U.S.

There are, nonetheless, disturb-

ing factors that the Frankes make no attempt to hide. One particularly disconcerting thing about the book is the way the authors have to squirm to get away from the interweaving hippie and drug problems, which tend to be peripatetic. Our travelers blame the popularizing effects of TV and the return of college students for the fact that drugs are almost universally available. Another worry is the spill-back from California, which means that people are buying up the available properties and local businesses in Nevada, Oregon and Idaho, much to the dismay of Oregon's Governor Tom McCall who wants to keep his State green and unpolluted. Florida and California both suffer from being too popular, and the drive of the American population into the Sun Belt could eventually inundate and spoil the southeastern corner of Texas, where the humus on alluvial lands runs 1,600 feet deep and the lemons are bigger than oranges.

Then there is the question of money: inflated currency may still buy good homes in Ogallala, Nebraska, and pay the one per cent city sales tax in Alpine, Texas, but how does the average pocketbook finance the search for safety in California? To the Frankes, California is still a most glamorous State. So it is with mournful honesty that they feel compelled to

report that earthquakes are not the only things that menace the good life west of the Sierras. California, in fact, has replaced New York as the symbol of what has gone wrong with America. Looking hard, the Frankes singled out as safe places three California communities — Belvedere on the north shore of San Francisco Bay, St. Helena in the Napa Valley, and San Marino, a southern California enclave just off the Pasadena Freeway. All of these places have low crime rates, with no murders or forcible rapes occurring in any of them for the year 1969.

The Price May Be High

But to escape from San Francisco, which has a murder rate of 17.7 per 100,000 population, to a commuter's heaven in Belvedere demands a bank president's wad. Bayfront property in Belvedere starts at \$90,000, "with \$125,000 a more realistic estimate of what you would probably pay." As a real estate agent put it to the Frankes, "Marin County is like a country club — if you can afford to pay the dues, it's great." The cost, then, of getting one's children out of San Francisco, which fathered the Haight-Ashbury hippie culture, to safe Marin County is so far beyond most purses that it won't bear thinking about. St. Helena in the Napa Valley is a better home-

buying prospect, but it is more than an hour from San Francisco where the jobs (save for grapes and truck crops) happen to be. As for San Marino, near Los Angeles, the citizens have had to be a most stalwart breed to support their unusual police department. There is a constant 24-hour surveillance of the whole community, with a strict "House Watch" service and tough zoning that prohibits certain types of business that might attract the attention of criminals. The police make checks every day at incalculable moments of all property that is empty. So, though San Marino is safe, it lives under a virtual state of seige.

Small Colleges Are Safer

Many of the places investigated by the Frankes happen to be college towns. But the rule is that a college must be small to add to the livability of a place. Moscow, Idaho, can "digest" the University of Idaho because the preponderance of its 6,000 students are in agriculture, business, engineering, law, mines, forestry, wild life, education and economics. Unlike the liberal arts students when they exceed a critical volume, the "aggies" and the business majors are serious types. Grinnell, Iowa, is another placid college town that has had no murders, forcible rapes or serious campus disturbances.

But, again, Grinnell is small and, with a faculty-student ratio of 1 to 10, its college is geared to rather intensive work.

For *Freeman* readers, the Frankes' sidetrip from Grinnell to the Amana Colonies forty miles east of the town points an interesting moral. The Amana Colonies were created by an Old World sect known as the True Inspirationists. Of German, Swiss and Alsatian ancestry, the True Inspirationists held things in common and handed down their skills from father to son. But in 1932 they switched to free enterprise and separated church from state. The change has brought great prosperity without any diminishment of the local craftsmanship.

Safe Places is fascinating reporting, and the riches the book contains are far too numerous for citation in a short review. Whether you want to move for good, or merely want to travel, this is the book for you, and you, and you.

▶ **FREEDOM AND THE LAW** by Bruno Leoni (Los Angeles: Nash Publishing Company, 1972, 204 pp., \$7.50)

Reviewed by Tommy W. Rogers

THOSE WHO VALUE individual freedom, suggests the late Professor Leoni, should reassess the place of the individual within the present

legal system which is centered on and almost completely identified with legislation.

While many today pay lip service to the Romans and to the British for their legal wisdom, few realize how limited was the legislation and, consequently, how great the sphere of the individual in both Rome and England during the centuries when their respective legal systems were most flourishing and successful.

Both the Romans and the English, Leoni writes, shared the idea that the law is something to be *discovered* more than to be *enacted*, and that nobody is so powerful, or so righteous, as to insist that his own will be made the law of the land. Today, ordinary legislation and even constitutions and codes are presented, not as the result of an orderly historical process, but as a new approach, through unprecedented decisions, to what the law *should be*. Legislation has come to resemble a sort of dictate that the winning majorities impose upon the minorities.

Leoni decries the current tendency to identify law exclusively with legislation and written statutes to the neglect of common law, custom, convention, tacit rules and private spontaneous adjustment. He deems it questionable that legislation should be used as a means of subjecting minorities. "It also

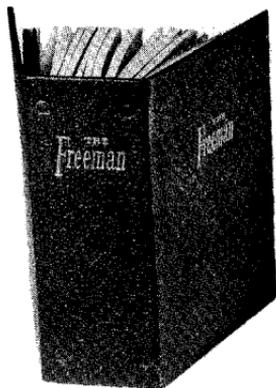
seems unquestionable that we should reject the legislative process *whenever it is possible for the individuals involved to obtain their group objectives without depending upon the decision of a group and without actually constraining any other people to do what they would never do without constraint.*"

Leoni maintains that blind acceptance of the contemporary legal point of view will lead to gradual destruction of individual freedom of choice in politics, the market, and private life. The contemporary legal point of view means the increasing substitution of group decisions — majority rule — for individual choices.

Leoni notes the semantic con-

fusion in the words "freedom" and "constraint" and examines the relation of freedom to such concepts as the "rule of law," "equality before the law," and "representative government." He discusses such topics as rent control, privileges and immunities granted to labor unions, and the general proliferation of statutory and administrative law.

Freedom and the Law grew out of Professor Leoni's lectures at the Fifth Institute on Freedom and Competitive Enterprise at Claremont Men's College in 1958. The current edition of the book (first published in 1961) is sponsored by the Institute for Humane Studies, Inc., Menlo Park, California. 



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ARE WE MARXIANS ? NOW

IDEAS are the forces that lift or destroy civilization. They bring peace and prosperity, or breed wars and revolutions. Ideas shape our laws and institutions, and govern individual action and social relations. No wall or boundary can forcibly retain an idea. It sweeps around the earth like a storm that spares nobody. Ideas are stronger than bombs and missiles, they are mightier than an armada with megatons of explosives.

The philosophical, social and economic ideas of Karl Marx have been more influential than those of all other socialists. They have had, and continue to have, a profound impact not only on the lives of billions of people living in communist and socialist societies who

worship him as their apostle and master, but also on the thoughts and policies of all others. Surely, no one would label the American society as "Marxian," or describe our social and economic policies as "Marx inspired." There are very few Americans who would courageously confess allegiance to the doctrines of Marx. And yet, serious contemplation cannot escape the conclusion that contemporary American thought on some three major issues—the conflict of interests in society, the concentration of business, and our outlook on the world—bears a startling resemblance to the doctrines of Karl Marx.

At this place we need not investigate why and how this similarity came about, nor ascertain the channels of education and communication that facilitated the sway of Marxian ideas. In fact,

Dr. Sennholz heads the Department of Economics at Grove City College and is a noted writer and lecturer on monetary and economic principles and practices.

in order to demonstrate the resemblance of contemporary thought to Marxian doctrines we need not even prove that Karl Marx was the original author of prevailing American thought. After all, there were many other originators of socialism whose intellectual interdependence is difficult to record.

Economic Conflict

Most Americans seem to agree with the Marxian doctrine of political, social and economic *conflict*. Their traditional belief in a harmony of interest has gradually given way to trust in conflict and force. Americans now agree with Marx that social groups pursue conflicting interests that are reflected in antagonistic political and economic programs. Where in the past they had relied on individual initiative and action, they now depend on collective measures through legislation or regulation, or collective programs for political and economic pressure groups or business and labor organizations. He who stands alone today without the shelter and security afforded by his interest lobby or union is a rare exception.

In every session of Congress hundreds of new laws are passed that aim to confer rights and privileges on some groups while restricting those of others, or grant

property and income to some at the expense of others. The political process has become a wrestling match between ever-changing alliances of pressure groups fighting over economic privileges and benefits. Just listen to the daily newscasts. Most of the reports, whether national or local, deal with the most noisy manifestations of this collective conflict.

Karl Marx was a forceful spokesman of the conflict and exploitation doctrine. Even in the United States, this bulwark of the free world, the doctrine has swayed public opinion. It makes its appearance in the popular notion that the unhampered capitalistic economy delivers the wage earners to the discretion and power of wealthy industrialists. The individual worker is said to be helpless and in need of legal protection in his bargaining with management whose primary concerns are power and profit. The unbridled market system with its profit motive and unhampered competition as it prevailed in this country before World War I is condemned for having inflicted hardship and deprivation on many generations of workers. Such notions, which are popular versions of the exploitation theory, have invaded our colleges and universities, indeed all channels of education and communication. They

have radically changed our political parties and our churches. They have given rise to a gigantic labor union movement and to the "New Deal" in social and economic matters. In fact, the exploitation theory determines our basic "economic" policies at all levels of government.

Labor Policy

The ever-growing mass of labor legislation is one of the fruits of the exploitation theory. Its advocates credit modern social policy for having reduced the work week to 48, 44, and 40 hours, or even less. They applaud labor legislation for having eliminated women's and children's labor. And they ascribe the present rate of wages to the minimum wage rates set by authoritative intervention. Indeed, practically all labor improvements are credited to social legislation and labor union intervention.

Compulsory social insurance, including unemployment assistance, Medicare and Medicaid, stem from the same intellectual roots. Capitalism is said to be incapable of giving sustenance to the unemployed, sick, or aged laborers. Therefore, social policy must assure decent living conditions to an ever-larger part of the population.

Also, modern taxation reflects our adoption of the exploitation

theory. Most taxes aim not only at raising revenue but also at correcting or alleviating the alleged evils of our economic system. Some taxes aim at a "redistribution" of wealth and income. Confiscatory rates are imposed on entrepreneurs and capitalists whose income and capital are thus transformed into goods for consumption by the "underprivileged." Other taxes aim at changing business customs and conduct or at regulating production and trade. All presidential candidates promise more of the same.

Our labor unions derive their very justification for existence from the exploitation doctrine. Few Americans would disclaim the boast of union leaders that their unions have raised, and still are raising, wages for all workers through association and collective bargaining. American public opinion believes that recent history has proved the beneficial nature of trade unionism without which workers would be subjugated to the greed and arbitrariness of their employers. Because of the common fear of labor exploitation, the people suffer strikes or threats of strikes, union coercion and violence, and endless agitation of hate and envy by labor leaders against the wicked selfishness of exploiters. To many millions of Americans, membership in a labor union is an

important social duty and strike a holy task.

Clash of the Generations

In recent years the conflict doctrine has been broadened to cover yet another area: the relations between different generations. It thereby succeeded in pitting millions of American youth against their elders in a so-called "generation gap." Numerous student organizations of the "New Left" are attacking the "establishment" that represents the older generation with arguments that are taken without much change from the armory of Marx. The era of campus violence was ushered in by the Students for a Democratic Society (SDS), a quasi-Marxian class organization. It was followed by such groups as the Progressive Labor Party, the Weathermen, the Young Workers Liberation League, the Young Socialist Alliance, the National Peace Action Coalition, the New American Movement, and many others. Although the members of such militant groups comprise only small minorities of students, it appears that many millions of young people agree with the radicals on the existence of conflict. If there is collective conflict in our social and economic spheres, why should there be peace and harmony between the establishment and its

opposition, between the older generation and youth?

Racial Conflict

One of the ugliest manifestations of the conflict doctrine is found in our race relations. We are told again and again that it is our capitalistic system that imposes conditions of hardship upon a minority of its citizens, and that finally the angriest of them have been driven to assault the exploitation order. We are accused of wicked standards of white morality and capitalist middle-class behavior that condemns the rioting and looting but lacks human concern for millions of deprived Negroes in our midst.

A solution to the growing problems of racial strife is sought in ever-costlier government programs, in more public welfare and public care. While Newark was burning, and as twenty-seven Americans were losing their lives there, the Federal Government tried to rush through Congress a bill to provide \$20 million a year for two years to exterminate the rats that infest the city slums. It was suggested that eradicating rats would ultimately help to prevent the racial riots, as it would indicate to the rioters that somebody really cares.

One may agree with the militant "Civil Rights" leaders that, fo-

the first time in American history, political and social conditions are ripe for open rebellion and revolution. But our explanation differs fundamentally from theirs. The teachings of conflict and socialism, which for a long time were limited to white pressure groups, have finally reached millions of Negroes. In their incredible blindness our political leaders eagerly sow dissatisfaction and make reckless promises of redistribution while condemning the private property order — openly encouraging Negro protests against that order. It is collectivism, not capitalism, which breeds insurrection and revolution.

Sexual Conflict

In the United States the conflict doctrine finally was extended to cover sexual relations. There can be little doubt that women's liberation has become a major and militant movement.

In some of its aspects the movement is hardly new. More than 50 years ago it led to the 19th Constitutional Amendment that gave American women the right to vote. But in recent years, especially since the appearance of Simone de Beauvoir's *The Second Sex* and Betty Friedan's *The Feminine Mystique*, it acquired the familiar symptoms of conflict and confrontation. Some of its radical

spokesmen sound like the other conflict champions although they substitute sex for race, class, or generation. Their charges are almost identical: the capitalistic system breeds exploitation and slavery and therefore should be abolished. Economic freedom means freedom for men only, but exploitation and dependence for women. Therefore, it must give way to the political process, to legislation and regulation, in short, to a new order.

Concentrations and Monopolies

Although most Americans would disclaim any sympathy for Karl Marx and his teachings, they seem to be in full agreement with him not only on his doctrine of conflict of interest and class struggle but also on his theory of industrial concentration and monopoly.

In *Das Kapital* Karl Marx proclaimed the inevitable coming of socialism on grounds that capitalism causes a gradual pauperization of the working classes. The exploitation profits, which businessmen pocket by means of the employment contract, are invested in an ever-growing apparatus of production, today called automation, which in turn creates a growing army of unemployed and underemployed paupers.

In the decades that followed the publication of *Das Kapital*, it

proved to be most difficult to inculcate this doctrine in the minds of American workers. Every year, wages rose and conditions improved on account of expanding capital investments and rising labor productivity. In fact, the standards of living of American working people rose to levels that are unprecedented in human history. And with the rise in labor productivity and wage rates, the conditions of health, life expectancy, education, recreation, and leisure improved immeasurably.

A more plausible theory on which the doctrine of inevitability of socialism could be based had to be found. Today, communist propaganda, whether in the form of arrogant prognostications that our grandchildren will live under communism or as blaring newscasts by *Radio Moscow*, proclaims the coming of socialism on grounds that capitalism is degenerating to dire monopolism. Whatever capitalism may have achieved in the past, its dreadful degeneration gives rise to vast concentrations of wealth matched by dismal poverty, automation and unemployment, and other discrepancies and imbalances. Prosperity under capitalism, we are told, is only short-lived and must soon give way to monopolistic exploitation, depression, and unemployment.

Many Americans are increasingly receptive to this doctrine. Certainly the Founding Fathers were aware of the inherent dangers of monopoly. Thomas Jefferson had even advocated a Constitutional amendment outlawing monopolies. But the Founding Fathers were also fully aware that governments were spawning the monopolies. Some three hundred years of European mercantilistic monopolistic policy had taught them that the government issue of licenses, franchises, regulations, and controls gives rise to monopolistic restrictions and economic maladjustments.

The Forces of Competition

Under the influence of European socialistic thought and Marxian indoctrination, this causal connection between government and monopoly has been gradually forgotten. Instead, many Americans are now led to believe that the capitalistic market economy breeds monopolies, and that "big business" tends to degenerate to monopoly. In reality, the unhampered market economy, through the operation of free competition, prevents any one businessman from charging monopolistic prices. Even if one should be the only producer in the field, potential competition, the competition of substitutes, and the elasticity of demand, preven

him from exploiting the situation.

Potential competition exists in all fields of production and commerce which everyone is legally free to enter. Most corporations are searching continuously for new lines and items of production. They are eager to invade any field in which business earnings are unusually high. The invasion of another field by a corporation may involve no more than a single retooling or reorganization that is achieved in a few weeks or months. Or, brand new facilities may be employed for an invasion. Thus, one producer, whether he is a monopolist, duopolist, or a competitor among many, always faces the potential competition of all other producers.

But even if American enterprises failed to compete with each other and potential competition failed to exert a restraining influence on monopolists — which is a most unrealistic assumption — the people would escape monopolistic prices through recourse to substitutes. In many fields the competition of substitutes is more important than that of competing enterprises. In the manufacture of clothing, for instance, a dozen different materials vie with each other for the consumer's dollar. The monopolist of any one material is powerless because monopolistic pricing would induce

consumers to switch immediately to other materials. The manufacturers of suspenders compete not only with each other and with potential competitors, but also with the producers of belts. In the transportation industry the railroads compete with trucks, cars, airplanes, pipelines, and ships.

Elasticity of Demand

The existence of substitutes makes for demand elasticity which, in turn, makes monopolistic pricing unprofitable; for higher product prices would greatly curtail product demand, and thus sales and income of the monopolist. Therefore, he again must act as if he were a competitor among many.

All producers, in fact, compete with all other producers for the consumer's dollars. The manufacturer of television sets competes with the manufacturer of freezers and refrigerators. If the monopolist of one commodity — say, television sets — should raise his price, the consumer may forego the purchase of a new set and buy instead a second-hand set or a refrigerator. We consumers do not allocate our income to the satisfaction of categories of wants but to that of specific wants yielding the greatest net addition to our well-being. This addition, in turn,

is determined by the urgency of our wants and by the cost of satisfaction.

This consideration of some fundamental principles of market economics runs counter to the interpretations offered by Marxian propaganda and, unfortunately, also by many fellow Americans. Our statist politicians and anti-trust bureaucrats partially embrace the Marxian explanations. They subscribe to the theory that our capitalist system breeds monopolies. But then they part with *Radio Moscow* by proclaiming their desire to save this monopoly-breeding system from its own destruction. They propose to control the monopolies through government action. Almost every day now, the Antitrust Division of the Department of Justice charges some businessmen with monopolistic conspiracy. These charges, being made in the limelight of worldwide publicity, poison the political atmosphere and create a badly distorted picture of our enterprise economy. In fact, the Antitrust Division is one of the most efficient arms of socialist propaganda.

Anticolonialism

Many Americans also agree with the Marx-Lenin doctrines of colonialism and imperialism. In the name of national sovereignty and anticolonialism the United States

Government has promoted nationalism and socialism in all corners of the world. It has exerted its great influence toward the reduction of European influence and possessions in Asia, Africa, and Latin America. We urged the Dutch to leave Indonesia, we applauded the French retreat from Indochina, we blatantly demanded British and French withdrawal from the Suez Canal, we urged the Belgians to leave the Congo, and the French to surrender North Africa, we censured Portugal for her African possessions and imposed sanctions on Rhodesia.

The Western retreat from Suez to Panama, from Indonesia to Algeria, from the Congo to Morocco evidences an ominous weakness of Western civilization. Blinded by socialistic doctrines and prejudices, our statesmen hail retreat as progress and defeat as victory. Their world view is perverted by conceptions of "capitalist colonialism," which are derived from the teachings of Marx and Lenin. Echoing the communist leaders in their attacks on the West, they level the charge that European colonialism has kept the economically backward nations subjugated for centuries.

This misconception of history flows from a bad distortion of facts. The European colonies were acquired during the age of mer-

cantilism and nationalism. The spirit of capitalism with its concern for individual freedom and private property, which shaped British foreign policies during the nineteenth century, completely transformed colonial possessions. The British overseas settlers became virtually independent — enjoying a dominion status. All other territories dependent on British rule were governed according to “open-door” principles. The British Empire was a vast free-trade area in which the government undertook only to maintain law and order.

Laissez Faire

Capitalism is the system of individual freedom and private property in production as well as consumption. In both domestic and foreign affairs it implies *laissez faire*, which means free trade and an open-door policy that welcomes everyone and discriminates against no one. The exploitation of colonial possessions is inconsistent with the concepts of competitive private enterprise and voluntary exchange. An American or European business that invests its capital in an underdeveloped country does not exploit the natives. Capital investments anywhere raise labor productivity and consequently wages. The United Fruit Company, for instance, did not en-

slave the people of Latin America by creating plantations in wilderness. On the contrary, it raised native productivity and improved working conditions.

And yet, most Americans are convinced that European colonialism is responsible for world poverty and upheaval. Why else would the U.S. Government have helped to liquidate European influence in all corners of the world and sanction and support revolutionary movements? Even today it strongly opposes the white administrations of Portuguese Africa, Rhodesia and South Africa. Many Americans even approve of the confiscation or nationalization of private enterprises by the governments of newly independent countries. They agree with the Marxians the world over that a sovereign state can legally seize and confiscate any foreign enterprise in disregard of valid contracts and agreements. This is why the new states in Africa and Asia can seize and destroy huge European investments with impunity. And Fidel Castro could seize more than one billion dollars of American investments.

During the eighteenth and nineteenth centuries most Americans were conscious of the natural rights of individuals, and therefore believed in an idea of state sovereignty that was severely lim-

ited by inalienable personal rights. State sovereignty was encompassed by the individual rights to life, liberty, and property. This concept of limited state sovereignty, which true friends of freedom continue to embrace, denies the right of any government to seize or nationalize any enterprise without the owner's consent.

Are we Marxians now? Most Americans will indignantly answer this question in the negative. After all, they neither condone dictatorship with its one-party

system nor the ruthless suppression of dissent and brutal treatment of dissenters, which characterize all communist countries. They are "civilized" and therefore abhor all manifestations of inhumanity. But unfortunately, many Americans unwittingly share important philosophical, sociological, and economic beliefs with Marxians the world over. These beliefs give rise to policies that please the Marxians. Ultimately, they will breed the very political and economic tyranny which Americans so abhor. 

A Useful Product

THE BUSINESS GENIUS who makes and markets a useful product and furnishes employment at good wages to hundreds of fathers, serves his community more usefully than a councilman who votes the appropriation of public funds to build playgrounds.

Without the steady production of wealth, the makers of public budgets would be helpless. For this reason the man richly endowed with business sense serves his fellow men best if he continues at his desk to the end of his days.

This line of thought does not win easy acceptance because it is only within recent generations that the social significance of business prosperity has been properly valued. It is now becoming more generally recognized that a nation cannot have too many competent businessmen. Prosperity is more a matter of men than natural resources. Poverty and ignorance have cursed and humbled mankind from the beginning. Intelligent direction of business will eliminate both.

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IDEAS ON



LIBERTY



Free Enterprise and the Russians

WINSTON CHURCHILL used to say that Russia is a riddle wrapped in an enigma within a mystery. But to him who has studied that country, its history, religion, language, mentality, the truth will come more easily; the many widespread dangerous cliches will dissolve before his mental eye.

One of the most common of these cliches is to the effect that the Russians are "by nature" collectivists, that their souls are aching for tyranny, all of which makes them so susceptible to Communism. Did not the large mass of the Russian people consist of serfs? The truth however is different. In old Russia, in contrast to America, slavery had never been

institutionalized; the majority of the farming class had consisted of free people. As a matter of fact, serfdom as an institution had only existed in central and western Russia, but not in the far north, in the south, in the eastern part of the country, and certainly not in Siberia. (The Cossacks lived notoriously a very free life.)

It is true that in large areas, as a result of the abolition of serfdom in 1861, the peasants were given land collectively which resulted in a very poor agriculture with recurrent famines; but Stolypin, the "arch-reactionary" Minister of the Interior, disestablished the collective holdings, the *Mirs*, early in this century. The subsequent individual farming, together with a second agrarian reform, initiated the rapid development of Russian agriculture with the ambitious

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peasants, the *kulaks*, leading the nation to a new agrarian wealth. (The final goal of the gradual reform was to have only 11 per cent of the arable area covered with large estates by 1930.) By 1916 only 23 per cent of the usable land was in the hands of big landowners, whereas in Britain this share was 55 per cent! And we ought to add to this that Russia never had a *ruling* nobility. Old Russian titles mean a great deal more in Hollywood than they ever meant in Russia. Social arrogance, as we know it in the West, was unknown there; it came into being only in recent decades as a result of Marxist indoctrination with the accent on class consciousness. He who knows the USSR or reads contemporary Russian plays and novels is fully aware of this rather depressing fact.

Russians, indeed, are by nature great individualists; they always constituted a nation of eminent independent thinkers, poets, scientists, philosophers, artists, musicians, mathematicians and so forth. Edward Crankshaw explained in a brilliant article in *International Affairs* (October, 1945) how precisely due to her people's individualism a purely parliamentary democracy for Russia is out of the question — now and forever. This might sound paradoxical to American ears but

Harold Laski had previously pointed out to us that representative democracy, in order to be workable, has to rest on two premises: a two-party system and, more importantly, a common framework of reference, a common language, the thing which Walter Lippmann called a "Public Philosophy." Such a common framework has never existed in eastern or southern Europe where, for a variety of reasons, intellectual individuality and not a sentimental community spirit always prevailed. All of which moved the classic British liberal Walter Bagehot to the conclusion that democracy needs a rather "stupid people" (*Letters on the French Coup-d'Etat*, 1852). The Russians, in other words, are too bright for their own good. They will always have a government-from-above which can be spiritual or materialistic, liberal or tyrannic, benevolent or malignant. Self-government in Russia can only be local and limited.

Degrees of Government Intervention

In the various forms of society, government and economics are admittedly interdependent, but not in a crudely automatic way. There are provider states which are not socialistic, there existed liberal as well as communist monarchies (the Empire of the Incas) and totalitarian democracies. Spain,

for instance, has a rather limited political freedom but a great deal of economic liberty. Brazil has a military dictatorship but its economy rests on free enterprise. Continental Europe before 1848 had a free market economy under royal absolutism. But the USSR boasts a democratic label and has practically no freedom, neither economic, nor intellectual, nor religious. It knows not even the freedom of residence.

Old Imperial ("Czarist") Russia, however, had a far-reaching economic freedom. Of course, we always ought to distinguish Russia before the liberation of the serfs from the Russia between 1861 and the issuing of the Constitution (1905), and the latter from the liberal monarchy between 1905 and the Revolution. The freedom of expression during this "terminal" period was nearly complete. In 1912 the *Pravda*, founded in broad daylight, violently attacked the government. There were, moreover, Bolshevik delegates in the *Duma* (Diet), but no Anarchists ("Social Revolutionaries"), a party which indeed represented total individualism, but also murder and arson. (It was banned by law, but Kerenski secretly adhered to it). As a matter of fact, the government favored the Social Democrats, with their menshevik and bolshevik wings,

over the Anarchists, the latter claiming not Marx, but Bakunin (a nobleman) and Prince Kropotkin, who died in 1921, as their founding fathers and spokesmen. (Incidentally, the great bolshevik leaders beginning with Lenin were frequently members of the nobility.)

Progress through Freedom

It was thanks to economic freedom that Russian industry, though late getting started, enjoyed a fabulous development in the quarter century before the Red Revolution. The annual *increase* of Russia's industrial output and capacity in those years was far larger than that of any other modern nation, including that of the United States. Evidence may be found, of all places, in the *Illustrated History of the Russian Revolution* (New York, 1928), a Communist publication. Obviously, Russian labor, largely lacking skills, discipline, and the famous "Protestant work ethics," could not be well paid any more than in any other "emerging nation" in the first phase of industrialization when heavy investments are necessary and the purchasing power of the masses is still exceedingly low. The new class of Russian entrepreneurs, needless to say, were not members of the old upper layers, but *homines novi* — industri-

ous blacksmiths, bright peasant boys, aggressive skilled workers with foreign experience. Small amounts of capital allowed miracles to be worked, and soon Russia became Europe's "Eastern America," brimming with Horatio Alger stories.

One has to admit, however, that the newly rich often displayed their freshly acquired wealth in rather crude fashion. Thus, today a foreign embassy in Moscow is housed in the palace of a sugar king's mistress — but this particular millionaire was the son of a serf. Yet, we may be sure that his income, if spread evenly among his workers, would not materially have improved their lot, which surely worsened after 1917.

At the outbreak of World War II the wages paid to workers were lower than before the Revolution. One has only to read the splendid work of Manya Gordon, *Workers Before and After Lenin* (New York, 1940), to get the relevant data. Of course, the illusion that a radical redistribution of income fundamentally improves the living standards of the lowest classes is still general among loose-thinking sociologists. Socialism also feeds on this erroneous belief. It is, however, the *bigger cake*, not the *reslicing*, which improves the lot of the many. And the *bigger cake* requires wise reinvestments, good

management, and a high ethical concept of work.

With the Communist Revolution, Russian industry and agriculture took a nose dive. The peasant class, at first, did not resist Communism, because the remainder of the large and medium estates was distributed among them. Lenin also permitted during several years a minor trade which quickly started to bloom. These, even to Lenin's mind, were only temporary concessions. Stalin liquidated not only the "New Economic Policy" (NEP) but also the independent peasantry. First the *kulaks* were expropriated and partly exterminated; then the rest were crushed and collectivized. The Five-Year-Plans were put into action. Since then, a dark night had settled over the Russian economy.

A Low Standard of Living

Today, we might get impressive (but who knows how accurate?) statistics about production but we do know that East German aid to the space program has been substantial. We also know that machinery imported from Czechoslovakia and Hungary abounds in the USSR, but we fully realize that the living standards of the masses, including the professional class (other than a tiny top sector), are truly miserable. Assum-

ing that the rouble is US \$1.20, the salaries and wages for workers, doctors, factory directors are not so terribly bad by West-European standards. But let us remember that the rouble can be bought in Vienna or Zurich for 19 cents, and this gives us a far more accurate picture of conditions inside the Soviet Union.

One must admit that medical services (of a modest nature) are gratuitous. Also, rents are very low, but not so if we consider them in relation to space; then, indeed, they are very high. Only university professors, members of the Academy of Sciences, directors of leading theaters, writers, prima ballerinas, and certain very highly placed civil servants live well; but we should not believe that thereby they are all "bought" and really believe in Communism. The purely managerial class is not at all well off. A factory director usually could not feed his family. His wife would have to work as well. Yet, socially speaking, he would arrogantly look down on teachers, engineers and so forth. Status and income are by no means identical.

The "Theory of Convergence"

Curiously enough, there is in the Western world, and especially in the United States, a rather widely-held belief that the radical differences in social structure and

economics between East and West are gradually disappearing, that the West is becoming more and more "socialistic" and the Soviet Bloc more and more "capitalistic," thus eventually ensuring peace. This is the famous "theory of convergence", a very soothing theory indeed. Andrei Amalrik, the brilliant (and again jailed) author of *Will the Soviet Union Survive Until 1984?* has rightly ridiculed this notion because he knows only too well that practically all Russians are absolutists, that institutions in the East are not bent but broken, that dogmatism and revolution, not relativism and evolution, dominate Eastern life. English-speaking nations, to the contrary, are enamored of the notion of evolution, of nice, little, painless, gradual changes. In addition, they mistake welfarism for socialism. The latter means the ownership of the means of production by the state. Of course, in practice all socialist countries are "welfarist" (and stand for the Provider State), but not all Provider States are socialistic. (In Sweden 90 per cent of economic resources are still privately owned, though this might change in the near future. Of course, "welfarism" in the Western world is on the rise, but this itself will never close the gap between East and West.) Even the

undeniable convergence between Russia and Red China does not particularly make for peace.

The only socialist country in Europe which has made ideological compromises on the economic front is Yugoslavia, which from the Muscovite point of view is a heretical outsider. It still has a free peasantry and small private enterprises with up to fifteen employees. But the future of Yugoslavia nationally and economically is dim. Economically, this is the case because free enterprise is a system which walks on long legs and socialism on short legs. What happens if one leg is long and the other one short? Such an economy will be prone to fall on its nose. And besides Yugoslavia, only Poland has a non-collectivized peasantry.

No More Private Enterprises

When I first visited the USSR in 1930 at the age of twenty, I was even then struck by the fact that the only surviving free entrepreneurs were the watch-repairmen, the bootblacks, cobblers and a few tailors. I saw no private stores left. At my later visit in 1963, "socialization" was total and complete. Bootblacks received a salary and that was it. As far as the Soviets were concerned, there was and there still is no sign of an economic "convergence". (There

is, however, a fair amount of neo-Stalinism in the domains of intellectual and religious life). It is true that there are a few economic theorists (like Liberman) who, though not dreaming of a renewal of private enterprise, are attracted by the idea of competition. But it is impossible to see how one could have genuine competition when the economy is centrally planned and rests squarely on state monopolies (dragging along totally uneconomic industrial enterprises).

A return to private enterprise and private ownership is, above all, ideologically out of the question. It is significant that the micro-elite with their very substantial incomes squander them almost planlessly because they cannot buy anything of permanent value — real estate, houses, precious metals, bonds with a fixed value. The *datcha* (country house) which, after a fashion, they "own" stands on state ground and could be "removed" any time. They spend vast sums on good food, expensive drinks, pictures (also from officially proscribed painters) and — perhaps the only genuine piece of real estate — on pompous mausoleums in exclusive cemetery sections. There won't be and there cannot be in this domain a genuine change, because communism's most fundamental dogma is state

ownership of the means of production, and the Kremlin's crucial strategy is the *utter material dependence* of its subjects upon the state. (That the state one nice day should wither away, nobody while of sound mind takes seriously.)

Is there a hankering of the Russian people for personal independence and private enterprise? A genuine yearning? Or is the Russian underground opposition merely hostile to the most tyrannical aspects of the present government while accepting in its heart a socialist order? There is a widespread belief in the West (in America, probably, more than in Europe) that the memory of personal property and free enterprise in the USSR is dead as a doornail and that what the Russians today desire is merely a bit more privacy, freedom of expression, and a chance to read flashy American periodicals. By and large this view is not true to fact. To the contrary, the critique of the totalitarian excesses of the regime is more and more being supplanted with a mounting protest against the system itself. The once so meekly expressed preference for a "genuine Marxism-Leninism" to Stalinism or Neo-Stalinism is increasingly replaced with violent attacks against Marxism. I think there would be an even more gen-

eral attack in the underground publications against all forms of socialism if there were a better understanding of the nature and possibility of private enterprise on a large scale.

A Cruel System of Controls

In the mid-nineteen-thirties a Hungarian Communist writer, Erwin Sinkó, settled for more than a year in Moscow. In his brilliant account of that period published in German, *Der Roman eines Romans* (Cologne, 1962 and 1967), he provides us with a great many interesting observations and insights. (Sinkó died as a Titoist in Yugoslavia only a few years ago). He was in the USSR at the beginning of the Big Purges but shamefacedly admits that he was not aware of them.

He saw that the USSR was producing goods far more expensively than Western Europe (largely on account of poor work ethics and the frightening bureaucracy) and quotes his Jewish landlord to the effect that he would never become a Bolshevik because Socialism is intrinsically cruel. He also offers us a wonderful, lively portrait of a cobbler who then still was able to pursue his humble trade on a street corner almost literally crushed by taxes designed to ruin his business. But the man held out heroically to keep his precarious

freedom and independence. Stubbornly he refused to join the state-owned shoe repair workshops.

Today, needless to say, nothing of the sort would be tolerated for a moment. All that remains of private enterprise is the gray market for agricultural products provisioned from the small personal plots of the farmers (always subject to recall and cancellation), a very limited market without which the Soviet population would have died of starvation years ago. (The misery of a peasantry constituting over 30 per cent of the total population of the country, which in spite of excellent soils is unable to feed the USSR properly, is really the scandal of the century.)

Socialism Easy to Explain

During my stay in the USSR I often talked with people about their country's economic problems. Thanks to a variety of sources (among which Western radio stations figure prominently) the masses of the Russians do realize that our living standards are much higher than theirs and many of them, in a way, are puzzled by this state of affairs. "Here," they said, "everything is carefully calculated and planned in advance, and you in the West are subject to the chaos of a free competitive enterprise. How then is it possi-

ble that you are so much better off than we are?" This surprise is simply due to the fact that Socialism is what Tocqueville called *une fausse idée claire*, a false, but clear idea.

One can explain socialism to anybody in ten minutes, giving him the essence of that doctrine in a nutshell. Free enterprise, which is far more progressive and sophisticated, needs a great deal more time and effort for its exposition. (Socialism, one ought never to forget, exists in many a primitive society with very little stress placed on human personality and therefore it appeals so strongly to people in the Third World.)

Of course, the value of small personal enterprise was quickly grasped by my interlocutors. "But do you think it to be just if a single person has millions of roubles or owns a huge factory employing hundreds of workers — they would then be at his mercy, wouldn't they?" Such arguments arise because among the Soviet citizens there no longer exists the memory of a free laboring class (or of collective bargaining).

The real surprise to most of my acquaintances came when I told them about the workings of a stock company. "Yes, fine, but who is permitted to buy these stocks? What party affiliation must he have?" The idea that simply any-

body can buy stocks and thus get a share in the enterprise came as an added shock, but once a man pointed an accusing finger at me and said: "What you tell us can't be true and I'll tell you why. If your representation is correct then a worker could buy shares of his own factory and get the dividends of his own labor and thus become employer and employee in one person — the boss of his manager — and that's patently impossible." When I explained to him that it was quite feasible and occasionally does happen, everybody was non-plussed and one person declared that such state of affairs was "exceedingly democratic" (which in a certain way it is).

Signs of Opposition

Yet "capitalist thinking," without the slightest chance of being adopted by the government, is gaining growing adherence in opposition circles. The excellent work by Cornelia I. Gerstenmaier, *Die Stimme der Stummen* (which will soon be published in the United States) shows a real change of mind. The author, who is a serious German scholar and has spent considerable time in Russia, is the daughter of a former chairman of the Bonn Diet. She had and still has access to the typed and retyped publications of what one jokingly calls *Samizdat*,

the "Self-Publishing Company". There she tells us, among others, of the famous programmatic pamphlet of Alekseyev and Zorin, "Time Does Not Wait," where these two authors — the pseudonyms cover a technologist and an educator — inform us that "the deadly grip of the government on economics must come to an end." A manifesto of the so-called "Democratic Movement of Russia, the Ukraine and the Baltic Nations" — this label itself tells a story! — insists that state, group, and *private* enterprises ought to get the same rights in managing the means of production.

Growing Appreciation for Freedom

Probably the most moving document in this book is that by Boris Talantov, an outstanding underground leader who early this year died in a Kirov (Vyatka) prison. Talantov was a layman and a mathematician but the scion of a family of priests. Himself a profoundly religious person, he denounced the Moscow Patriarchate for collaborating in an abject way with the Soviet government, an accusation widely printed in the West and forcefully repeated by Alexander Solzhenitsyn in an open letter. (Archbishop Nikodim — a most disreputable character as we can see from André Martin's book on religion in Russia — thereupon

declared that Talantov "never existed" but had been invented by anti-Soviet propaganda.)

The testimony of Talantov is all the more valuable because religious groups in the Old World (under monastic influence) have traditionally shown very little interest in the burning question of private property and free enterprise. But Talantov, in whom we have to see primarily a religious martyr of the Eastern Church, as the author of a widely circulated pamphlet entitled, "The Communist Party of the Soviet Union as Ruling Class in Soviet Society," knew the real nature of the evil. Here he gave us a precise analysis why there can be no freedom, no respect for the dignity of the person in a socialist system. He even strongly emphasized the *economic* superiority of free enterprise over state capitalism. The latter insures the total enslavement of the working class and, incidentally, also the economic enforcement of atheism by a methodic discrimination against religious workers. Private

enterprise, Talantov insisted, not only guarantees a minimum of freedom, but also produces goods of greater quality with fewer economic inputs.

Has the Russian underground embraced Adam Smith? It would be premature to answer this question in the affirmative. It is certain, however, that a chance for sound economic thinking exists, not, of course, within the Soviet government, but among its internal enemies who are all very much aware of the West's material superiority. As a matter of fact, religious, political and economic truth in the Soviet Union is engaged in a heroic uphill fight; whereas in the West, truth, due to mental sloth, envy, jealousy, and the masochistic denigration of one's own traditions, is slipping and sliding, is obscured and forgotten. Under these circumstances it would be a real shame for us, who had all the breaks, if the Light again would be coming from the East. ☉

Service

IDEAS ON



LIBERTY

WHOEVER could make two ears of corn, or two blades of grass, to grow upon a spot of ground where only one grew before, would deserve better of mankind, and do more essential service to his country than the whole race of politicians put together.

JONATHAN SWIFT

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

13

The American
Triumph

THAT THE AMERICANS were eventually triumphant in the War for Independence is a matter of record. The triumph was military, diplomatic, and big with portent for the future of republics. That the triumph could have come earlier, could have been more decisive, and could have involved the United States in fewer entanglements, is speculation. George Washington thought that the victory could have come much sooner. In his circular letter to the governors of the states in 1783, he declared that if he had sufficient space he "could demonstrate to every mind open to conviction, that in less time, and with much less expense than has been incurred, the war might have been brought to the same happy conclusion, if the resources of the continent could have been properly drawn forth. . . ."¹ Speculation is not history of course, but it does sometimes help to shed light on history. The prolongation of the war due to the failure to muster American resources effectively brought in its train a host of consequences, some of which entangled America with European powers at just that time when they were effecting their independence of England.

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The scope of the war was greatly broadened from 1778 onward. It spread and extended over much of the North American continent. There was extensive fighting in the Ohio valley, in Georgia and the Carolinas (fighting which involved Loyalists on a considerable scale, and heightened domestic animosities), in western New York, as well as elsewhere. Those who follow only George Washington's army during the course of the war lose sight of the vast amount of territory being contended for. The war became, also, a world war before it was over. France entered the fray against Britain in 1778, Spain in 1779, and Holland in 1780, though the last two were not allied with the United States. In addition, there was a naval League of Armed Neutrality of other European powers organized against Britain.

American diplomats went to Europe seeking allies, munitions, and, above all, loans, to bolster sagging finances. European monarchs were hardly devoted to the idea of the rise of a republic in America or its independence (though some Frenchmen were); most of them did have axes to grind with Britain. Moreover, there was territory they would like to acquire or protect, and trade they would like to gain for their ships and ports. The aborning

United States was caught up to some extent in the cross currents of the conflicting interests of European powers. Some Americans— notably Silas Deane, Arthur Lee, Benjamin Franklin, John Adams, and John Jay—experienced the machinations of European diplomats at first hand, an experience which confirmed most of them in their beliefs about the corruption of the Old World. However, America came out of all this much better than might have been expected.

Changed British Strategy

Despite the French alliance and the portending entry of other European powers into the conflict, the American military position did not generally improve for some while. British strategy did change from what it had been up to 1778. During the early part of the war, Britain had focused the major military effort on the Middle States and their seaport cities. This approach was largely abandoned after Saratoga. Though the British continued to hold New York City and to concentrate the major army there, as things turned out this was a defensive position from 1778 until the end of the war.

British strategists at home pushed for the concentration of offensive measures in the South. Having failed in their efforts to

conquer America by attacking at the points of the concentration of strength, they advocated attacking at the weakest point. This strategy had much to commend it. After all, the key to the effective control over much of what had been English America was Virginia. Virginia was the most populous of the states, the oldest of the colonies, the one in which the Anglican religion had been longest established, the producer of much that was most wanted by British merchants for world trade, and the hub of the Southern wheel. If Britain could control Virginia and the lower South, plus Canada, it might still dominate the vast eastern Mississippi valley region. Virginia already laid claim to much of the territory west of the Alleghenies; the conquest of Virginia might vouchsafe it to Britain. The approach to Virginia might be made from the lower South which was the weakest link in the colonial chain. Georgia was the least populous of the states, and a considerable portion of the population of South Carolina was slave. North Carolina was known to have an important Loyalist contingent.

Savannah fell to British forces in December of 1778, and early the next year they took over the rest of Georgia and installed a Loyal government. But the British sta-

tioned in Georgia had little success during the next year with their forays into South Carolina; the force sent there was not adequate to such a campaign. Early in 1780, however, General Clinton, who had been reluctant to undertake the Southern campaign, finally did so; he was able to take Charleston May 12, 1780 with a vastly superior military and naval force. Clinton returned to New York, entrusting the Southern campaign now to Lord Cornwallis. Cornwallis was probably the ablest field commander the British ever had in America. He was daring, courageous, beloved of his men, could win battles when the odds were against him by audacious tactics, and did win many battles. In fact, he won most of the battles and lost the war.

For the remainder of 1780, Cornwallis see-sawed back and forth between South and North Carolina with his army. Virtually the whole Patriot army in that region had been surrendered at Charleston, necessitating the assembly of a new force in the deep South. Congress sent General Horatio Gates, the victorious commander at Saratoga, southward with a core of Continentals to do the job. As it turned out, his victory at Saratoga had given General Gates a much greater reputation than he deserved. Cornwallis

routed his army at Camden in August; Gates fled the scene of battle on the fastest horse he could command, and was sixty miles away before he considered it safe to stop. His army was scattered, and his reputation was ruined.

Nathanael Greene assumed command of the Patriot forces in the Carolinas late in the year, and he proved worthy of the calling. He was as successful at maneuvering as his mentor, George Washington, but Cornwallis did not tarry overlong to test his talents. Instead, Cornwallis moved northward into Virginia in 1781, while Greene drove southward into South Carolina. In the course of the year he was so successful against British posts that they held only Charleston by the end of the year. Indeed, a pattern emerged in the South similar to the one elsewhere on the continent. The British frequently won the pitched battles, but once the main army moved on, the post left behind soon fell to Patriot forces.

During the late spring and into the summer of 1781 Cornwallis rampaged across Virginia with a much larger army than the Americans could muster in that state. When the American forces were increased, Cornwallis decided to establish a base accessible to the sea. He decided upon Yorktown

which is located on the peninsula between the York and James rivers. He set up camp there in early August.

Showdown at Yorktown

Virginians had for some time been pleading with Washington to come with his army to save his home state. However, Washington was confronting the largest British army in America in New York; victory over it would most likely be decisive; he wanted only the help of the French fleet to undertake it, and the French fleet was rarely available to him. However, he determined upon concentrating his effort against Cornwallis at Yorktown when the French agreed to aid him. Washington's Continentals were now reinforced by a major French army under the command of the Comte de Rochambeau. Washington took pains to tie Clinton's army down in New York both by leaving a sizable detachment behind and by getting misleading information to him.

The attacking army usually has a plan which, if it works, should bring victory, much as each play by the offense in football is conceived to make a touchdown — if it works. In battle, the aim is to bring such force to bear at selected points that it may be expected to break up the opposing army.

Timing and coordination are the requisite conditions and are the most difficult to achieve. Washington's plan depended upon much greater coordination of a variety of elements than would commonly be involved. He had to move an army several hundred miles, most of them going over land. His heavy artillery was dispatched by sea, but its arrival was dependent on the dispersal of the British navy. The French navy had to be available at the right time or Cornwallis might be reinforced or his army transported elsewhere.

For once, all went well for the combined American and French undertaking. Clinton kept his army in New York; Admiral de Grasse, the French naval commander, turned up with the fleet at the right time, and lured the British navy out to sea after having successfully engaged it in action. Cornwallis stayed where he was, cut off by sea from retreat. The Continentals and the French were joined by the militia to make a formidably superior force under Washington. Cornwallis did not deign to attempt daring maneuvers to break out in these circumstances; after only a brief try against the forces, which did not even bring most of his army into play, he surrendered his army intact. The memorable date was October 19, 1781.

Yorktown was the great victory of the American War for Independence. It had all, or almost all, of the right ingredients. Washington was in command of the victorious; after so many years of perseverance in the face of the odds, his hour had come. That Cornwallis should have been the British commander defeated was as it should be, too, for no other British commander had routed so many American armies. Even the surrender was dramatically conducted, though Cornwallis sent a subaltern to do the dishonors. With the French lined up on one side and the Americans on the other, the British marched between them to the tune of "The World Turned Upside Down" to the place where they laid down their arms. The British turned their eyes toward the French, as if in contempt of the Americans. They were roundly jeered by the Americans who waited to do so, wisely, until the British had thrown down their arms. Thus ended the last great battle of the war.

There had been and were to be American victories elsewhere, some with great portent for the future, though none so dramatic or decisive for victory in the war as that at Yorktown. Neither the British nor Americans had entirely neglected the western and south-

ern frontiers. The British attempted to dominate the land beyond the mountains largely with the aid of the Indians. However, in 1778 and 1779 George Rogers Clark of Virginia broke the back of this dominance. Of Clark's victory at Vincennes in 1779, a military historian has said: "His march across flooded Illinois may not compare for hardship with Arnold's long journey through the Maine wilderness in 1775, yet the issue was happier, the victory complete and significant. British power in the West was broken, and despite the failure to take Detroit, Clark helped make it possible for the vast area to be included within the boundaries of the United States of America at the peace treaty."² Less grand in its dimensions but equally important for a smaller area, Georgia was reconquered by the Patriots in 1782, the culmination of a long series of exploits by General Anthony Wayne.

Much went on during the War for Independence besides military and naval battles, of course. Nor was the American triumph, in the final analysis, simply a military triumph. What Americans would do with their independence was surely more important than whether they would have it. One thing Americans were determined not to have for very long was arbitrary government. They thought that

the way to avoid this was to have a written constitution. When Richard Henry Lee made a motion for independence in the Second Continental Congress in June of 1776, he included with his resolution a proposal that some plan of confederation be devised. Such a plan to be acceptable, of course, would have to be of the nature of a constitution. A committee was appointed to attend to this even before independence had been formally declared. A few days after the adoption of the Declaration, the committee presented what were called Articles of Confederation to the Congress. They were drafted, in the main, by John Dickinson.

Congress did not move with such dispatch to approve them, however, nor the states to their ratification. Some debate was wedged in from time to time between the more pressing items of business which confronted the Congress. The Articles of Confederation were finally adopted by Congress in 1777 and sent along in due course for the states to ratify. Most of the states acted within the next fourteen months, but Maryland withheld ratification for several years. The main issue was western lands, particularly the extensive claims of Virginia beyond the mountains. Virginia would have been huge in comparison with the other states if it had con-

sisted only of the present states of Virginia, West Virginia, and Kentucky, which it did; but that parent state laid claim to vast territory in the Ohio valley as well. Agreements of the states involved to yield up their western claims brought Maryland into the fold on March 1, 1781.

On the occasion, the *Pennsylvania Packet* editorialized in this jubilant fashion:

This great event, which will confound our enemies, fortify us against their arts of seduction, and frustrate their plans of division, was announced to the public at twelve o'clock under the discharge of the artillery on the land, and the cannon of the shipping in the Delaware. The bells were rung, and every manifestation of joy shown on the occasion. . . .³

Truth to tell, however, it had taken more than half as long to get the Articles adopted as they would serve as the foundation for a union.

The Articles of Confederation

The Articles of Confederation were born of the necessity for the states to unite in order to carry on war against Britain and were given their content by the reaction to the increasing use of British power which occasioned the war. While men recognized the need for united action against a common enemy they were most reluctant to

locate much power in a central government — or, if Madison was right in his later analysis, even to establish such a government.

There was considerable ambiguity as to the status of the states and of the union from the outset. That ambiguity was a product both of history and the desires of the people. On the one hand, the colonies had never been united with one another before 1776 — except by their allegiance to the king of England, which tended to separate them from one another rather than to link them together. On the other hand, they acted together both in their resistance to British impositions and eventually in separating from England. There was no point in time when the states were independent and sovereign on their own. As John Fiske said: "It is . . . clear that in the very act of severing their connection with England these commonwealths entered into some sort of union which was incompatible with their absolute sovereignty taken severally."⁴

Yet, the term "state" was early used to apply to most of them, and the name has stuck (in general usage even when the "state" involved is actually styled a "commonwealth"). The most common meaning attached to "state" in political theory and usage is this: "the body politic as organized for

supreme civil rule and government." A "state" is also usually referred to as sovereign and independent.

The Articles of Confederation did attempt to clear up any confusion in status; the question was formally resolved in favor of state sovereignty. The union established under the Articles was styled a confederation. In common usage, a confederation is an alliance or league among sovereign states. The articles appeared to affirm that this was to be the case. Article II says, "Each State retains its sovereignty, freedom and independence, and every power, jurisdiction and right, which is not by this confederation expressly delegated to the United States, in Congress assembled." What is implied here is a division of powers: some to be retained and exercised by the states individually, others to be conferred upon the confederation to be exercised jointly. But once such powers were conferred, the states would lose their absolute sovereignty. Could some plan not be devised whereby the states could retain their sovereignty individually, yet act together in common concerns? The Articles of Confederation attempted to do this.

What was tried was to make the Congress continually and completely dependent upon the states.

Congress was denied the power of taxation, nor did it have any enforcement machinery of its own, i.e., it had neither constabulary nor courts. Moreover, the representatives to the Congress were to be chosen by or under the direction of the state legislatures. Each state was to have only one vote in the Congress, though a state might have from two to seven delegates. Care was taken that the members of Congress did not gain personal power. This was guarded against by having members subject to recall by the states at any time and prohibiting that any person serve more than three years in any six year period. The picture that emerges from this is of the states resolutely clinging to their power.

With the above restrictions upon it, Congress was ostensibly granted extensive authority. It was empowered to make war and peace, send and receive ambassadors and ministers, emit bills of credit, borrow money, make treaties and alliances, establish a post office, settle various kinds of disputes arising among the states, appoint high ranking military and all naval officers, fix the value of coins, regulate weights and measures, and manage Indian affairs where a state was not directly involved. Further to cement the union, the Articles provided that

each state was to give full faith and credit to the acts of the others and that citizens of any state could move from state to state.

The Articles also limited state power in a variety of ways. States were prohibited to carry on diplomatic relations with other countries or enter into treaties or alliances with them without the consent of Congress. In a similar fashion, states were forbidden to form alliances or confederations with one another. States were limited in the military or naval forces they could have and restricted in their war-making powers to defensive action.

Although the Articles of Confederation were soon to be adjudged inadequate to the needs of union — and a further critique of them is made in a subsequent chapter —, they are nonetheless important for reasons in addition to the fact that they served briefly as a basis of governing the United States. First of all, the Articles were the first United States constitution. They were influential in the drawing of the Constitution of 1787; some of the language was taken verbatim into the later document. They provided for a limited government with specified powers, probably the most important principle of the Constitution. And, the Articles attempted to divide and separate powers among

two different levels of government, a principle which the later document incorporated much more effectively. The Articles of Confederation signify the triumph of limited constitutional government in America, even though they were a groping toward and a demonstrably insufficient realization of it.

The Treaty of Paris, 1783

The greatest achievement under the Articles of Confederation was the Treaty of Paris of 1783. By its terms the thirteen states not only attained their independence but also acquired an empire beyond the mountains. The acquisition of this vast domain was probably the greatest diplomatic triumph in American history. That a people who had won so few battles, who had such a weak central government, who had never managed to bring many of their resources to bear in the prosecution of the war effort, who were so dependent on the aid of other countries, should have such success at the peace table requires a little explanation.

The American success was helped by the precarious situation of the English. Britain wanted an end to the war, but her leaders were eager to prevent gains by European powers. Lord North's government fell in early

1782 in the most humiliating manner. A motion carried to make it a crime to advance the notion that the colonies could be restored by war. Lord North was replaced by the Earl of Rockingham, "the old Whig and repealer of the Stamp Act," who "was recalled to preside over a government committed to the abandonment of the former American colonies in revolt and to the liquidation of the world war in progress."⁵ He died shortly, and was replaced by Lord Shelburne who was, if anything, more favorably disposed to the Americans than Rockingham.

France had already renounced any claim to any territory on the continent of North America in the Franco-American Alliance of 1778. Even so, France was not eager to see Canada become a part of the United States. Moreover, France was allied with Spain and was, in this way, entangled with Spanish territorial ambitions. As if this were not enough, Congress instructed its peace commission to follow the guidance of the French in the treaty making.

It was left to the peace commission either to utilize to American advantage the animosities, jealousies, and rivalries of European powers or to have American ambitions subordinated to them. It was in the hands, then, of Benjamin Franklin, John Jay, and

John Adams. A hostess thinking in terms of compatible guests probably would not have invited these three at the same time. Jay and Adams could get along well enough together. Both men were distrustful of European diplomats; they considered them corrupt and devious. Jay's recent experiences in Spain had fortified him in this opinion. John Adams was a Yankee — an American —, and proud of it. Truly one of the great men among the Founders, Adams' greatness was circumscribed by a temperament which tended to alienate others and a physique more suited to a mortician than a statesman. It was his fate to labor ever in the shade of men whose most lauded attainments he would hardly have considered worthy of his best efforts. He lacked Franklin's resiliency, Washington's commanding presence, Hamilton's dynamic drive, and Jefferson's knack for illuminating philosophical positions with unforgettable prose. Yet, great man he was, his constancy to the American cause was as enduring as Washington's, and his sacrifices for it were rarely exceeded. What he lacked as a diplomat he made up for with his commitment to his country. Benjamin Franklin was — well, Benjamin Franklin: diplomat par excellence, homely economist, scientist and inventor,

and international *bon vivant*. A good diplomat is one who yields everything to the other party except the substance for which they are contending. For much of his life Franklin had devoted himself to the austere task of learning to get his way by subterfuge. His years in Paris were a fitting epitome to a long life. These three matched and overmatched the best Europe could send against them.

Even before negotiations got under way, informal French and Spanish proposals had been brought to Jay's attention which would have turned the territory south of the Ohio over to Spain and allowed Britain to keep the territory north of the Ohio. "If this French proposal, which so pleased the Spaniards, had been adopted, the United States would not have secured from Great Britain title to the region now composing the present states of Ohio, Indiana, Illinois, Michigan, Wisconsin, and Minnesota, and would have lost to Spain the western part of Kentucky and Tennessee, Mississippi, and part of Louisiana, along with most of Alabama."⁶ In view of the fact that Spain wanted Gibraltar from Britain and Britain wanted to hold on to Florida, the above dispositions might have been made if all interested parties had gathered around a table to negotiate or if France had been

allowed the role of arbitrator.

This did not happen. The Americans ignored the instructions of Congress to defer to France, negotiated a settlement with Britain, and saw to it that this settlement was subsequently made a part of the overall treaty. They were faithful to the terms of alliance with France, for this was not a separate peace, but they undoubtedly exceeded the bounds Congress had set for them.

In the treaty, the United States got all the territory west to the Mississippi river, south to the 31st parallel, and north to a line bisecting the Great Lakes, or south of Canada. The British also conceded that the people of the United States could use the North Atlantic fisheries. The independence of the states was affirmed, hostilities were to cease, and Britain agreed to remove her armed forces from the United States "with all convenient speed."

There were some concessions made by the United States. Both sides agreed that creditors of either country should have no obstacles put in the way of collecting debts owed them by citizens of the other. Most of the creditors involved were British. Congress was to recommend to the states that the rights and property of Loyalists be restored, and the treaty provided that the persecution of

Loyalists should end. Britain and the United States agreed to the free navigation of the Mississippi, but Spain, the other country with territory on it, did not join in the agreement.

The Treaty of Paris was truly an American triumph. George Washington described its portent in these words: "The citizens of America, placed in the most enviable condition, as the sole lords and proprietors of a vast tract of continent, comprehending all the various soils and climates of the world, and abounding with all the necessaries and conveniences of life, are now, by the late satisfactory pacification, acknowledged to be possessed of absolute freedom and independence."⁷ Some decades ago, an American historian declared: "On the part of the Americans the treaty of Paris was one of the most brilliant triumphs in the whole history of modern diplomacy."⁸ A more recent diplomatic historian has seconded this opinion: "The greatest victory in the annals of American diplomacy was won at the outset by Franklin, Jay, and Adams."⁹

Disbanding the Troops

The greatest triumph of all, however, requires an appreciation of what might have been but was not to stand out in relief. The most critical moment for the suc-

cess of the American Revolution almost certainly came in 1783. It was at about the time of the British withdrawal of forces from the east coast. The Continental army, what remained of it in camps along with what might have been summoned again into service, was now the only considerable force in the United States. This was the moment for a military *coup d'état*, if there was to be one, the moment when the American Revolution might have followed the course of so many others. Nor was the provocation lacking. The military had been sorely neglected during the long years of war. Now that the victory had been won, the army was invited to disband and its members return home without being paid what had so long been promised.

George Washington was almost certainly the key to what would and did happen at this critical juncture. His prestige had grown during the years of his command, until at the end of the war he was the pre-eminent American. His critics had harmed only themselves; they were chipping at granite with teaspoons. He was approached more than once with the idea that he take over the country. There is no evidence that he ever seriously contemplated such a course. On the contrary, he rebuked those who hinted at

such things, and persisted in doing his duty as he saw it. His duty as he saw it was, having finished his military task to lay down his sword, following the path he had ever trod of subordination to the civil authorities, and return to his peaceful pursuits at Mount Vernon. His every utterance confirmed, too, that in this case duty was happily joined to his heart's desire, for he longed for the leisure to pursue his private affairs. Moreover, the manner in which he conducted himself in his resignation and retirement should leave no reasonable doubt as to his sincerity. A little retelling of some of the events of his last months of service will underscore the point.

Two events of early 1783 indicate that there was danger of a military revolt. The first of these is the one known as the Newburgh Address, which was a letter sent around to Washington's officers exhorting them to take matters into their own hands to get what they thought they deserved. Washington ordered his officers assembled and to be presided over by General Horatio Gates who, it is believed, had a hand in the Address. When they were assembled, Washington came into the room and asked to be allowed to say a few words to them. He told them that he knew well how much they

had suffered and could sympathize with their wish to be rewarded. But he bade them to keep their faith in and with Congress. He had with him a letter from a member of Congress which he thought might help to restore their faith if he read from it. But when he opened it up to read, he had difficulty making out some of the words. He took out his eyeglasses and put them on — he had not worn them in public before —, and looking up from the letter, he said: "I have grown gray in your service, and now find myself growing blind." It is said that the eyes of those gathered round filled with tears, for they knew how sturdily he had borne so much for so many years. It was hardly necessary for him to finish what he had to say. Once Washington withdrew, the officers adopted a resolution affirming their confidence in Congress and declared that they rejected "with disdain the infamous proposals contained in a late anonymous address to them."¹⁰ Of less potential for mischief was an event in June, though it does show what might have been. Fewer than a hundred soldiers of the Pennsylvania Line regiment descended on Congress at Philadelphia and threatened them in such a way that Congress retired to hold its deliberations at Princeton. Washington sent troops to put down this

little uprising in Pennsylvania.

The last major contingent of British forces departed from New York City in early December of 1783. Just prior to their taking leave the Continental troops moved into the city to see that everything went off in an orderly way. It was an occasion for great rejoicing as the Continentals marched in, for the British had occupied the city for more than seven years. A spectator wrote: "We had been accustomed for a long time to military display in all the finish and finery of garrison life; the troops just leaving us were as if equipped for show, and with their scarlet uniforms and burnished arms, made a brilliant display; the troops that marched in, on the contrary, were ill-clad and weather beaten, and made a forlorn appearance; but then they were *our* troops, and as I looked at them and thought upon all they had done and suffered for us, my heart and eyes were full, and I admired and gloried in them the more, because they were weather beaten and forlorn."¹¹

The time had at last come for George Washington to take leave of the army he had served for eight and a half years. He notified the officers that he would bid them farewell at Fraunces' Tavern at noon of the day of departure. All who could make it gathered there. It was a moving occasion. Wash-

ington was so filled with emotion that he could hardly speak. "With a heart full of love and gratitude," he said, "I now take my leave of you. I most devoutly wish that your later days may be as prosperous and happy as your former ones have been glorious and honorable." So saying, he asked that each of them would come by to shake his hand, since he feared he would not be able to make it around to them. General Henry Knox, who had served him faithfully for so many years, came first; Washington was so overcome that a hand-shake would not do. He embraced him as both of them wept. "Once done, this had of course to be done with all from Steuben to the youngest officer. With streaming eyes, they came to him, received the embrace, and passed on."¹²

Washington hoped to make it home to Virginia by Christmas when he set out from New York. But there were many festive occasions to be attended along the way, and he had business to do first. He journeyed to Philadelphia to turn in his accounts. Then he went on to Annapolis to resign his commission before Congress.

This he did just after twelve o'clock on December 23rd. The galleries were packed for the occasion, though many members of Congress were absent at this time. As the ceremony began, Washing-

ton's biographer says that "a hush of high expectance prevailed." Washington began his address: "Mr. President: The great events on which my resignation depended having at length taken place; I have now the honor of offering my sincere Congratulations to Congress and of presenting myself before them to surrender into their hands the trust committed to me, and to claim the indulgence of retiring from the service of my country."¹³

It was a solemn and affecting spectacle. . . . The spectators all wept, and there was hardly a member of Congress who did not drop tears. The General's hand which held the address shook as he read it. When he spoke of the officers who had composed his family, and recommended those who had continued in it to the present moment to the favorable notice of Congress he was obliged to support the paper with both hands. But when he commended the interests of his dearest country to almighty God . . . his voice faltered and sunk, and the whole house felt his agitations.

When Washington regained his composure, he concluded strongly:

Having now finished the work assigned me I retire from the great theatre of action, and bidding an affectionate farewell to this august

body under whose orders I have so long acted I here offer my commission and take my leave of all the employments of public life.¹⁴

As soon as the ceremony was over, Washington set out for Mount Vernon, and by hard riding was able to make it home to spend Christmas day with his wife and grandchildren. The American Cincinnatus had returned to his plow. ❁

• FOOTNOTES •

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⁶ Samuel F. Bemis, *The Diplomacy of the American Revolution* (Bloomington: Indiana University Press, 1957), p. 219.

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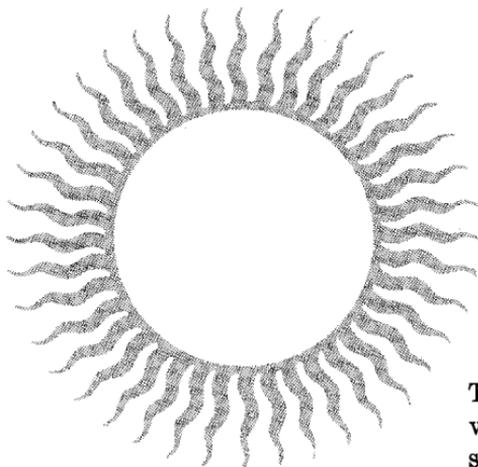
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ENERGY:

JAMES WEI

James Wei assumed The Allan P. Colburn Chair of Chemical Engineering at Delaware in 1971, following a distinguished career in industry. He received the B.S. from Georgia Tech and the M.S. and Ph.D. at MIT. At Mobil Oil, he advanced from Research Chemical Engineer to Senior Scientist and concurrently held Visiting Professorships at Princeton and Cal Tech. Upon completion of Harvard's Advanced Management Program in 1969 he returned to Mobil as Manager of Analysis. Prof. Wei received the ACS Award in Petroleum Chemistry in 1966 and the AIChE Professional Progress Award. He is a consulting editor for McGraw Hill and a member of CHEMTECH's Executive Board. Prof. Wei is best known for his work in kinetics, catalysis, and mathematical analysis, but his recent attention has been focused on creating a chemical engineering course for freshmen.

This article is slightly condensed and reprinted by permission from the March 1972 issue of *Chemical Technology*.

THE CIVILIZATION and way of life we know are supported by a steady supply of low cost raw materials drawn from farms and forests, from the mines and wells, and from the air and water. In history when the supply of a raw material runs low and when there is no substitute in sight, people wonder whether civilization can survive. William Crooks observed in 1898 that intensive farming depended on the nitrate mines in Chile, and their eventual exhaustion would bring world wide famine.¹ This did not take place as the great chemist, Haber, and the chemical engineer, Bosch, rose to the challenge and solved the problem of nitrogen fixation via ammonia synthesis from air and water.

As the skills of chemists and chemical engineers gradually increase, almost any natural raw material can be synthesized or replaced. Outside of hydrogen, the chemical elements are hardly ever

*the Ultimate Raw Material*_____

lost from planet earth.² There is no such thing as “nonrenewable minerals” even though rich deposits are exhaustible. Everything that is “used up” is still with us, but in altered and diluted form. In this closed system of earth, we can and will recycle everything. Given enough energy, or thermodynamic free energy, we can separate and concentrate any materials and recombine them chemically to form synthetic raw material.

All of the precious material contained in the refuse of our civilization collects on our lands, floats in our air, or runs off into the oceans. They can all be recovered with sufficient expenditure of energy. From the ocean we are already recovering freshwater, magnesium, bromine — it would be even easier if we could develop organisms that concentrate some elements. Thus we realize that *energy is the ultimate raw material*

which can be used to make food, water, other raw material — as well as warming and cooling our homes and operating all our machinery.

Energy Uses in the Past

The United States has always been blessed with an abundance of cheap energy to augment human and animal muscle: from the swift flowing rivers providing water power, and great forests providing fire wood, down to the modern coal mines and oil gas fields. Today, this underpinning of our entire economy and way of life consumes only 3 per cent of our gross national product. Energy cost forms only 3½ per cent of the cost of average industrial products, ranging from 8 per cent for chemicals to 0.3 per cent for apparel manufacturing.³ The consumer cost of energy can be divided into three shares: production cost under the supervision of engineers,

transportation and distribution costs under the supervision of marketers, and federal and local taxes. Table 1 gives the approximate current prices. Only a small part of the cost of refined fuel is in the province of engineers.^{4,5,6}

Table 1. Current energy costs

	Production cost	Consumer cost
Gasoline, regular ¢/gallon	12	36
Natural gas ¢/thousand cu ft	16	148
Fuel oil, No. 2 ¢/gallon	11	20
Electricity ¢/kWh	0.7	2.8

Consumer cost = production cost + distribution and transportation cost + federal and local tax.

We use a great deal of energy because it is very cheap. Our tax laws are already designed to make energy more expensive. For instance, automotive transportation requires three ingredients: vehicle, fuel, and road. The last item belongs to the public sector and is financed mostly from taxes collected from fuel. The excise and sales tax on a vehicle is less than 10 per cent of the manufactured cost, but on gasoline it equals manufactured cost.⁷ Despite this fact, the capital and maintenance cost of a piece of energy-using equipment is usually 15 to 20 times the annual cost of fuel, for automobiles, air conditioners, and electric power plants.^{5,7} As long as fuel is

cheap and equipment dear, we burn fuel up prodigiously. When prices go up, we complain but go on burning without a pause. Past investment in equipment is very expensive and cannot be changed readily. When copper is expensive, we can shift to aluminum; when butlers are too expensive we phase them out; but when energy is more expensive, we have neither alternative nor can we do without. If it were not for the fact that engineers continue to improve equipment to save fuel, our use of energy would be even more prodigious. For instance, in 1925 it took 25,000 Btu to make a kWh of electricity but today it takes only 9,000 Btu.⁸

Historically, the principal determinants of energy use have been number of people and scale of affluence.⁹ Figure 1 shows the per capita gross national product of various nations against per capita energy use in 1961.¹⁰ It can pass as a fairly straight line, the richer one is, the more energy he burns up. If you look at such curves long enough, you can begin to see an S-curve. As you get richer you will buy more information and service, which require less energy than hardware. U.S. commercial energy use is about 120 times the human intake of food energy; while in India it is about 3 times — for all manufacturing, farming,

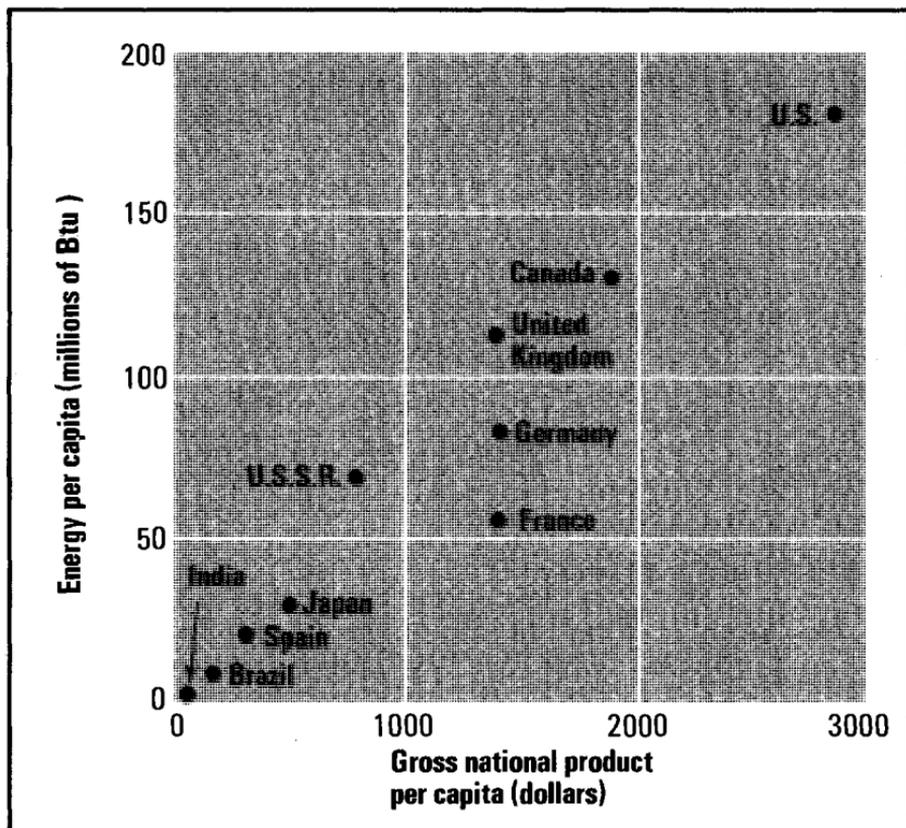


Figure 1. Nations GNP and energy use, 1961

and transport. Figure 2 shows the historical U.S. GNP growth in constant 1958 dollars (where the effect of inflation is taken out) and energy consumption in Quads (a Quad is a quadrillion Btu, or a million times a billion Btu).¹¹ It appears that of late, energy growth lags a little behind GNP growth. An increase in affluence without corresponding increase in

energy use has never been achieved in the past and is difficult to see in the future.

There may be frivolous uses of energy, such as the electric toothbrush; but the bulk is necessary to our way of life: home fires should be kept warm, people have to get to work, food must be delivered, and the wheels of industry have to turn. The pattern of

sources and uses of energy today, together with a government forecast for the year 2000, is given in Table 2.¹² Oil and gas have been

Table 2. U.S. sources and uses of energy as % of total

	1970	Projected 2000
SOURCES		
Oil	43	32
Gas	31	26
Coal	21	16
Hydro	4	3
Nuclear	1	23
USES		
Residence-commerce	22	13
Transportation	25	13
Industry	31	20
Electricity generation	22	44

capturing markets steadily from coal for the last thirty years, since they are cleaner, more convenient and cheaper. Nuclear power will rise to capture markets from oil and gas in the future. In the use side, electricity generation has been the fastest growing segment and will continue to be.

The Two New Crises

In recent years, the energy use suddenly faces two new crises: shortage and environment. Hardly a day goes by without a black eye for energy in the mass media: Delmarva Power and Light refusing new customers in natural gas, a blackout in the eastern seaboard, birds dying in oil spilled at Santa Barbara, opposition to strip mining in West Virginia, scientists pre-

dicting that the polar ice cap will melt and flood coastal cities due to accumulation of carbon dioxide in air, scientists predicting combustion dusts will block out sun light and cause a new ice age, and a *Wall Street Journal* article declaring that planet Earth is approaching an *energy ceiling*.^{13, 14} A year ago, Daniel Patrick Moynihan asked, "When would this insane increase in energy use stop?" It may seem that the only way out is to use less energy in the future, save the irreplaceable resources for our grandchildren, and repair the damaged environment.

I would like to advance the thesis that there is no inevitable collision course between more energy use and better environment: a cleaner environment would mean much more use of energy. The main flaw of ecologists prophesying doom is their failure to appreciate the ingenuity of scientists and engineers in inventing technological alternatives.

A cleaner automobile means more use of fuel, to produce hotter and cleaner exhaust and to overcome pressure drop in afterburners. Taking lead out of gasoline would mean a lower compression ratio and less efficient engine, which means more fuel. Cleaner smoke stacks in power plants mean either cleaner fuel by more refining of oil and coal, or stack gas

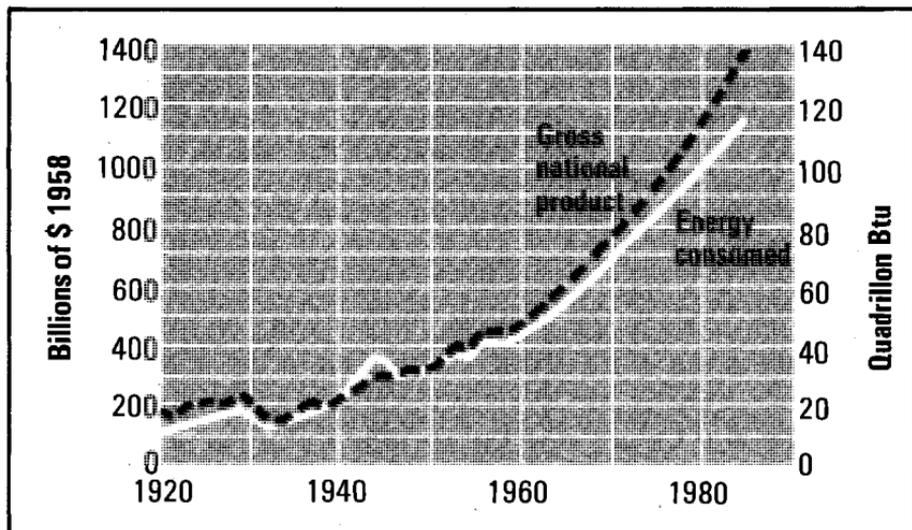


Figure 2. U.S. energy use and gross national product

scrubbing and dust removal, all requiring more energy. The Biological Oxygen Demand of waste discharged into rivers and lakes by residential-industrial-agricultural activities would require more sewage treatment and passage of more oxygen into water, which means more energy. The recycling of solid wastes means more energy use. Provided that society will face the facts and give engineers the resources and time, all the pollutants can be reduced to any required level by sufficient expenditure of energy — and a necessary increase in prices, which will decline as experience grows.

At the end, energy is used to remove all other pollutants and a

vast quantity of *waste heat becomes the ultimate pollutant*. So far, this is a local dispersal problem rather than a global problem. The fishes are hot in the outlet of a power plant, and New York City is three degrees hotter than the countryside in the winter. But the man-made waste heat rejection is currently only 50 ppm of the earth's heat budget, or the quantity of solar radiation that the earth receives and sends back into space.¹⁵

The supply of some forms of energy is short and prices are increasing. The oil price increase is due to the demands of oil exporting countries in the Middle East, Libya, and Venezuela, plus a short-

age of tankers; the natural gas shortage is due to industry's unwillingness to explore and to lay pipelines under the low existing government regulated prices; the coal shortage is due to earlier forecasts of its demise, and consequent underinvestment in opening new mines and manufacturing railway hopper cars; the nuclear power shortage is due to unforeseen difficulties in construction. All of these are short-term problems, many due to past underinvestment in research and development and plants, that can be solved later.

The costs of mining and extraction of a fuel is divided into two parts: the technology cost and rent.¹⁶ The technology costs are managed by the geologists and engineers in exploration and drilling holes—these costs reflect the bounty of earth and our present state of technology, and cannot be changed except by innovations in technology or by new discoveries. The rent cost includes royalty and bonuses to the land owners, production and severance taxes, Federal income taxes, and windfalls for the lucky wildcatters—this cost is negotiable and represents the bargaining position of various parties and can be changed suddenly. We read that in the Persian Gulf, the technology cost of a barrel of oil is only 10 cents, but the rent cost is \$1.60 and going up.

Despite the engineers' effort to cut cost every year, the rent costs can go up much faster. To affluent nations such as Japan and the U.S., this cost increase is an unwelcome burden but, to less developed nations such as India, this cost increase is a serious blow.

The Arabs have more than two-thirds of the free world oil; can they obtain indefinite increases in prices? We know that North America contains vast fuel resources in coal, oil shale, and tar sand—many times greater than all the oil in the Middle East. Laboratory and pilot plant runs show that they can be turned into oil and gas. Given enough money and time to do research and development, chemists and engineers will find out how this could be done in great scales economically, and without damage to environment. Present guesses on synthetic crude oil prices are in the range of \$4-\$6 a barrel from these solid fuels, while small projects such as the Sun Oil process in tar sand in Alberta is almost competitive at present prices.¹⁷ These vast resources can form a price ceiling on oil and other energy sources for many years to come. The public and our government need to learn the facts, debate the issues, and pass rules on their exploitation. We do not yet know how to do the mining-extracting-refining in the

most economical manner, and without damage to the environment. If engineers are given the job and the resources, they will rise to the occasion.

Table 3. Fuel prices

	Unit cost	Equivalent cost \$/million Btu
Electricity	0.8¢/kWh	2.34
Gasoline	12¢/gallon	1.00
No. 6 fuel oil (1% S)	\$4/barrel	0.69
Bituminous coal	\$10/ton	0.46
No. 6 fuel oil (High S)	\$2.50/barrel	0.43
Natural gas	40¢/thousand CF	0.40

East Coast wholesale, without tax

The approximate current wholesale prices of the more important fuels are shown in Table 3.⁴ The clean and convenient natural gas seems underpriced in this table. Lower sulfur fuel oils are naturally more expensive than high sulfur fuel oils. Electricity is the cleanest to the consumer, totally available to do useful work, and the most expensive.

Future Energy Uses

The large-scale generation of electricity at remotely located nuclear plants and the burning of coal at the mine mouth would remove much danger and pollution from population centers. (Distance certainly lends enchantment here.) The increased cost of electricity transmission could be decreased by new developments, such as cry-

ogenic cables that are superconducting. I am afraid that after the engineers have done their jobs well and technology costs are cut, the dominant cost in electricity transmission will turn out to be a rent cost again, paid to land owners to acquire the right of way.

Radiation hazards in nuclear plants can be minimized to any desired level by spending more money. The final radioactive hot wastes are being stored in caves now. Eventually, they will be disposed of by some other means, such as being sent into the sun by rockets. The sun is exceedingly radioactive now — a little bit more won't hurt. It can be our *ultimate garbage dump*.¹⁸

When it comes to transportation, oil is the dominant fuel. Outside of a few electric trains and bicycles, almost everything else moves by oil on the land, in the sea, or in the air. Its dominance is due to its ease in use as a liquid, as well as high power density and low cost. Nature appears to have arrived at the same solution for transportation fuel much earlier. When nature prepares something for a long journey, such as a walnut for dispersion, a coconut for ocean voyage, a salmon traveling upstream to spawn, or a goose migrating to South America, the body carbohydrates are converted into lipid or fat.¹⁹ These fats dif-

fer from petroleum only by the presence of a little oxygen. In fact, some geochemists believe that petroleum originates in animal fat buried in the rocks for eons, and that the oxygen is removed by catalytic action of bacteria or of clay. Table 4 gives the comparative power density of a number of fuels and batteries.⁷ It may be a bit unfair to compare gasoline to a battery in power density, since the battery carries both fuel and oxidizer, but the oxidizer of gasoline is ubiquitous air that is always available except in space and under water.

Table 4. Energy density in storage

	Chemical energy kcal/g	Electric- mechanical energy watt- hr/lb (20% heat efficiency)
Gasoline	11.0	1,150
Lipid	9.3	
Methanol	5.2	550
Ammonia	4.8	510
Carbohydrate	4.1	
Protein	4.1	
Sodium-sulfur battery		385
Conceptual super flywheel		200
Lead acid battery		85
Super fly wheel		40
Rubber band		1

For intercity traffic on land, and for long distance travel in the air or in the seas, it is difficult to see how oil can be replaced. For center city stop-and-go traffic, it would be well to switch to vehicles with stored energy that is less heat generating. The rubber band is an obvious energy storage de-

vice, but rather low in capacity. The flywheel was tried in buses in Switzerland and is capable of tremendous improvements. One can conceive of a rotor with an exceedingly high speed of revolution, kept inside a high vacuum to minimize friction, and made of composite material of carbon filaments in epoxy resin to withstand the tremendous centrifugal forces.

There is a great technological innovation on the way that can greatly influence the future pattern of population distribution and transportation needs: the videophone. People live in great metropolitan regions for the ease of contacting many other people and to use common facilities. These great concentrations lead to crowded cities and tremendous transportation problems. With a technically advanced videophone, one can have vivid and direct communications without leaving his home. Managers and white-collar workers, scientists and artists can live anywhere they choose and do all their work at home and by videophone; housewives can shop by videophone; students can talk to their professors by videophone. There is no need for people to get together except when they want to have fun together. People would only travel for pleasure then. This could result in a great dispersion of people back to the countryside.

Future Supply of Energy

The recoverable resources of energy in the world are quite large. The solid fuels are much greater in quantity than the liquid and gaseous petroleum, based on a study by Hubbert.²⁰ We know they are available, but we do not yet have the technology or agreed-upon ground rules for their exploitation. Before these tremendous resources can be touched, there must be research and development, environmental regulations, and ownership and profit rules established.

For the nuclear fuels, a dependence on uranium oxide ores of \$10/lb would mean a rather limited future in comparison with coal. There may be much more uranium to be discovered. If we are willing to pay more, we can use a great deal of low grade uranium. Future energy supplies will be plentiful but not necessarily cheap.

The truly overwhelming solar energy is the ultimate energy source when all else is gone. This prognostication was recently enunciated by Gaucher,²¹ and Glaser²² has proposed a conceptual scheme for using solar energy. He envisioned synchronous satellites that constantly hover overhead at orbits 22,000 miles away, with solar cells 25 square miles in area. The electricity collected from the sun

is beamed to earth at a safe intensity on microwave and collected on giant antennas. This is available night and day, and goes through mist and driving rain with less than 5 per cent absorption loss. This idea is not far from today's technological capabilities.

For a trial balance, let the world energy demand increase by 4 per cent a year, compounded, based on modest population-GNP growth. With fossil fuel alone, we may be in trouble after 2050; adding cheap uranium, we are in trouble after 2070. After 2100, man-made energy release is 1 per cent of natural solar influx and the waste heat disposal problems have to be solved.

Summary

There is no inevitable collision course between high energy use and good environment. The public should be informed that there are *technological alternatives*. We read that after 150 years of fog, when sulfur-containing coal is replaced by clean natural gas, winter sunshine is returning to London.

Scientists and engineers can solve nearly all environmental problems when they are given the task, the resources and the time. Any combustion waste can be cleaned up; radioactive wastes can be sent into the sun; phosphates can be removed by tertiary sewage

treatments; hot fishes near power plants can be saved by dry air cooling towers; solid wastes can be reduced to ashes, and the remains recovered and recycled. Many of these solutions are within today's technological capabilities. We are only holding back to see which is the best solution, and who should pay, before vast investment programs begin. Even the waste heat disposal problem for earth may eventually succumb to the ingenuities of our scientists and engineers, just as the spectre of world famine forecast by William Crooks was dispelled by Haber and Bosch.

All of this may not be cheap, and the cost of using energy may have to go up. But let us tell everyone that a clean and adequate energy supply can be managed if we give chemists and chemical engineers a chance. But we must plan ahead. ❁

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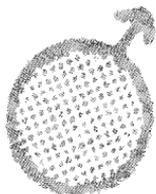
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The Natural History of Governmental Intervention

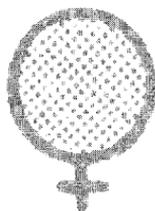
MARY PETERSON persuasively illustrates for seven selected agencies what might be called the natural history of governmental intervention into economic affairs: A real or fancied evil leads to demands to "do something about it"; a political coalition forms consisting of sincere high-minded reformers and equally sincere interested parties; the incompatible objectives of the members of the coalition (e.g., low prices to consumers and high prices to producers) are glossed over by fine rhetoric about "the public interest," "fair competition," and the like; the coalition succeeds in getting Congress (or a state legislature) to pass a law; the preamble to the law entombs the rhetoric and the body of the law grants power to governmental officials to "do something"; the high-minded reformers experience a glow of triumph and turn their attention to new causes; the interested parties go to work to make sure that the power is used for their benefit and generally succeed; success breeds its problems, requiring the scope of intervention to broaden; bureaucracy takes its toll so that even the initial special interests no longer benefit; ultimately, the effects are precisely the opposite of the noble objectives of the high-minded reformers without achieving the more mundane objectives of the special interests; yet the activity is so firmly established and so many vested interests are connected with it that repeal of the initial legislation is nearly inconceivable; instead, new governmental legislation is called for to cope with the problems produced by the old; and a new cycle begins.

From Milton Friedman's Introduction to *The Regulated Consumer* by Mary Bennett Peterson (Los Angeles: Nash Publishing, 1971).



ABORTION:

a Metaphysical Approach



THOMAS L. JOHNSON

THE ISSUE of abortion has occupied the minds of humans for as long as civilized society has existed. There have been times when abortion was legally condoned and socially accepted, and other periods of mankind's history when this practice was outlawed and considered to be a criminal act. Today, at a point in time when the rights of individuals are being attacked, ignored or destroyed, we are again witnessing a resurgence of the debate on abortion, and within the past few years, the passage of laws which remove

most or all restrictions which have, in the previous history of this nation, protected the individual rights of the most vulnerable, defenseless and innocent of human beings: the unborn child.

The abortion controversy is not just another dispute causing people to occupy opposing intellectual and legal camps. It is not a subject that can be equated in importance with other national concerns. Abortion is an issue which must be recognized as one of the most, if not *the* most important argument of our times, for it deals with an attack on the fundamental right of all humans: the right to life. When this right, upon which all other rights depend, can be set

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aside; when, at the whim of an adult, a new human life can be destroyed simply because another human does not wish to allow this life to continue; when it is decided that one stage of human life is of no real value — that its existence is an inconvenience to others and can thus be terminated — mankind loses its most precious value. Once the absolute value of each individual to his own life vanishes, existence no longer remains as a right, but becomes a privilege to be granted or denied by those in authoritative positions, by majority vote, or by the caprice of an unreasoning mother.

The Nature of Existence

There is but one approach that can be taken in dealing with the subject of abortion — the metaphysical approach. Metaphysics is a branch of philosophy which involves the attempt to understand the nature of existence, to explain and scientifically analyze natural phenomena, both in the animate and inanimate realms. Since abortion is dealing with the destruction of the human embryo or fetus, it is necessary to examine the biological nature of these entities and apply this information to another division of philosophy — Ethics — in the attempt to determine the correct behavior of men toward these intrauterine stages.

Among those who advocate abortion, who state that a woman should be able to terminate a pregnancy simply because she desires to do so, there are two significant groups. One group states that the entity within the uterine cavity is not a living human being, that the embryo or fetus is simply a cluster of multiplying cells that could be considered as a part of the mother's body. The other group considers the embryo or fetus to be human, but argues that there is a conflict between the rights of the mother and those of the unborn child. That the mother must have full control over her body, and that if she is denied this right she will fall victim to the rights of the unborn.

The Essentials of Reproduction Among Vertebrates

What is the actual nature of the intrauterine stages and does a real conflict exist between the mother and the unborn? In order to answer these questions it will be necessary to briefly analyze the known essentials of reproduction, particularly those factors which apply to vertebrates, of which the human is the most advanced form, and correlate this knowledge with the issue of the rights of the embryo or fetus, and the mother.

Sexual reproduction — reproduction accomplished by means of the

production of sperms and eggs, and their subsequent fusion — is characteristic of most forms of life, and is the only method of reproduction possessed by numerous animal groups (for example, all vertebrates). Once a mature animal produces the sex cells, they are released from the organs in which they formed (the testis or ovary) and usually pass into ducts leading to the outside of the organism. Either the sperms and eggs are released into water, at which time fertilization occurs immediately, or sperm cells are introduced into the female tract and fertilization will eventually take place within the body of the female. The essential point is, that at the time of fusion of sex cells, a new generation of a species is produced.

Within each cell of an animal there are *two* sets of chromosomes (filaments containing genes). When the sex cells are formed, each sperm or egg contains only *one* set of chromosomes, but when a sperm fuses with an egg the full complement of chromosomal pairs is re-established. It is at this point, at the time of the formation of the zygote (the cell formed by the fusion of the sperm and egg) that a new organism comes into existence.

In human reproduction, the sperm fertilizes the egg in the

upper portion of the oviduct. A new human life thus begins its existence in the cavity of the oviduct, and since it takes several days for the new organism to reach the uterus, it is already an embryo by the time it enters that organ.

The Point of Separation

One frequently hears the argument that the zygote, embryo or fetus is a part of the mother's body over which she must have control. Without question, this is *not* the case. Once sperms and eggs are discharged from the sex organs, they are no longer a part of the organism which produced them. These highly specialized cells, which have been produced by a special form of cell division (meiosis — other body cells are formed by the process of mitosis), are of no value to the organism which formed them (as regards the maintenance of its own life) — thus they either degenerate or they are released from the sex organs and pass into a tube on their way out of the body. Ultimately a small fraction of these *discarded* sex cells will fuse. Under no circumstances could one consider mature released sex cells, or any subsequent organism resulting from the fusion of these cells, as a part of the individual which generated them.

(Although the human embryo attaches itself to the wall of the uterus in order to gain needed substances from the mother for its growth and development, it does not fuse with this organ but remains as a distinct new life existing within the cavity of the mother's reproductive tract.)

Human life therefore has its beginning (*is viable*) at a point in time when the necessary genetic information, half coming from the father and the other half from the mother, is brought together by the fusion of the released sperm and egg to form the single-celled zygote. This individual organism cannot be a part of the mother (it has an entirely different set of chromosomes), but is a separate and unique human life.

All Vertebrate Life Begins in an Aquatic Environment

There is another important, but generally overlooked, aspect of the development of vertebrates which is germane to the discussion of abortion and which would shed light on the nature of the intra-uterine embryo or fetus. It is a well known biological fact that all vertebrate life must begin in an aquatic environment. Fishes and amphibians generally release the sex cells into a body of water and the zygotes and embryos develop there. In the land vertebrates,

which do not deposit their eggs into water, a sac forms around the embryo which fills with fluid. Consequently, each vertebrate, including the human, must spend the first developmental phase of its life in a water medium, and it is only after the new organism has achieved the necessary physical development (not accomplished by fishes and some amphibians), that it is able to continue its life in a gaseous environment.

(Even if humans should achieve the technological ability to raise what science fiction writers have called "bottle babies," these "bottles" would be filled with fluid. It is only because the human organism begins its life, not in a glass container in which one could observe the rapidly changing new life, but in a dark cavity out of sight, that older humans find it possible to pretend that these younger humans are not living or are not human. If the growth of the unborn child were to be observed by the mother, the issue of abortion would most likely never have become a matter of world-wide concern, for what psychologically healthy mother, seeing the unborn child within herself, would choose to destroy it.)

Metaphysically, by its nature, every new human life *must* spend the first months of its existence in an aquatic environment, within

the amniotic sac, if it is ever to experience a later stage of human existence. No human life has ever bypassed this requirement, or ever will — at least not for many millions of years, if then, considering the present rate of evolution. Every new human life must also have first been a zygote, then an embryo and finally a fetus before it is prepared to live outside the fluid medium. To contend that human life is only human at the time of birth, that the intrauterine entity is not an actual, but only a potential human being, is untenable.

***If Not a Human Being,
Then What Is It?***

For those who insist that human life begins only at birth, the question that must be asked is: What is this entity developing within the uterus if not an actual human being? Is it possible that by some magic, at the time of birth, that this alleged potential being is somehow, within a matter of minutes, transformed into an actual human being? To rational individuals, in possession of scientific facts, the answer is incontrovertible. Both the unborn child and the new born child is an actual human being, and at the time of birth, the child is merely moving from one required environment (aquatic) to a new required en-

vironment (gaseous) so that it can continue to develop into the succeeding stages of its life until it eventually ends its existence at the time of death.

The biological facts relating to the reproductive process and the first stages of human life have been established. It is now necessary to relate this knowledge to the issue of rights.

Those that contend that the intrauterine being is not human have no problem in their attempt to settle a controversy over rights, for if this living "thing" is not human, it can possess no rights. Since it is a well substantiated fact that the zygote, embryo or fetus is a human being, their argument becomes meaningless and requires no further discussion.

Those who contend that a human life is existing within the mother during the period of pregnancy do ascribe rights to this new human life, but it is argued that the rights of the mother take precedence over those of the unborn child and thus she has, or should have, the legal and moral right to terminate the life of this new individual at any, or certain limited, stages of its existence. This latter position requires a succinct examination.

A woman must have full control over her *own* body at all times. She must be free to take any ac-

tion which is deemed necessary to sustain *her* life. For instance, if it can be medically determined that carrying her unborn child to term would probably result in her death, she cannot be expected or required to sacrifice her adult independent life for the life of an immature, dependent offspring. (Actually, in many such cases, both the mother and the fetus could die, resulting in the loss of two lives, instead of just one.) Since medical science has advanced to a point at which such life and death situations rarely occur, the argument in favor of abortion in order to preserve the life of the mother has only limited application. Although this is the case, the legal code should specifically grant abortion if the mother's life is seriously jeopardized, which it has done throughout the history of this nation.

Mitigating Circumstances

Are there other circumstances that might arise which would, or could, legally and morally permit an expectant mother to undergo an abortion? The answer is yes — in cases of legally proven (which is sometimes difficult), unwillingly engaged in acts of rape or incest. *When an individual does not commit an act of his own free will, he (or she) cannot be held responsible for the consequences of this*

act. Although this is true, it does not alter the fact that a new life is existing and that it will be destroyed if aborted. The most humane response to such a circumstance would be to encourage the expectant mother to carry the child to term, but no one could require this of the victim.

There are some who insist that abortion should be allowed for other medical reasons—in the case of diseased or malformed fetuses. But what individual physician, or board of physicians, or legislative body has the ability to determine what diseased condition or what deformity could warrant killing the unborn (or the born)? No such judgment is possible, either for the intrauterine or extrauterine human.

"Handbook on Abortion"

Dr. and Mrs. J. C. Willke, in their recently released book, *Handbook On Abortion*, emphasize this point when they write: "This price tag of comfort or utilitarian usefulness, called euthanasia when applied to incurably ill post-born humans, applies equally well to the pre-born human who is also judged to be so deformed or mentally deficient that he too should not be permitted to live. This criterion and value judgment which permits humans to continue to live only because they are useful

and independent is an utterly barbaric concept. Once life has a price tag on it and is no longer an absolute right, then all life is endangered, all life is only worth the current price tag placed upon it by society, the state, the master race, or those in positions of power."¹

Having full control over her own body (having *self-determination*) is an absolute right of each woman, but having full control over another's body, over the body of a new life developing within her reproductive system is not, and never could be her prerogative. A woman must have the right to *prevent* conception — to determine herself if she wishes to have, or not have, a child — to obtain contraceptive information and materials — but she must also bear the responsibility for sustaining the life of a newly formed human if she willfully engages in intercourse which results in pregnancy.

(It should be noted that certain contraceptives do not prevent conception, but preclude the implantation of the embryo in the wall of the uterus. The use of such contraceptives should be condemned, for

they bring about the destruction of very young lives rather than prevent their coming into existence.)

A Collectivist View: The Individual Is Expendable

Consider the political philosophy, and the attitude toward individual rights, of those groups which are the most outspoken supporters of abortion — those concerned with environmental pollution, the population explosion and the "liberation" of women. Each of these groups espouses a collectivist view of life and considers the individual human to be expendable or enslavable as the means of achieving their ends. They are outspoken lobbyists backing legislation granting the agency of force, the government, the authority to establish a myriad of programs which they consider necessary to achieve their aims, and they completely ignore the fact that it is other human lives that will be sacrificed in this attempt to carry out their master plan for society. The sacrifice of the unborn is just one other aspect of their social engineering which is completely compatible with their view of man — the view that the individual is nothing; the collective is all.

There is no conflict of rights between the expectant mother and

¹ *Handbook On Abortion* is a well reasoned and scientifically accurate work covering all of the primary and secondary issues concerning abortion. It is available in paperback for \$.95, plus postage, from Hiltz Publishing Co., 6304 Hamilton Avenue, Cincinnati, Ohio 45224.

the unborn child. Both she and the new life within her have the right to life, a right which must be possessed by *all* humans at *all* stages of their life. And since it is the function of government to protect the rights of all humans, from the beginning of life to its end, it is right for the government to proscribe the killing of the unborn by means of abortion — except to save the life of the mother or in instances where a woman's self-termination was obliterated, as in the case of forced rape or incest.

In her brilliant essay, "Man's Rights," Ayn Rand states: "There

are no 'rights' of special groups, there are no 'rights of farmers, of workers, of businessmen, of employees, of employers, of the old, of the young, of the unborn.' There are only *the Rights of Man*—rights possessed by every individual man and by all men as individuals." The unborn child is a new individual having the same rights as all other individuals, and, as with all humans, regardless of their age or station in life, possesses the most basic of all rights, the right without which all other rights would cease to exist, the right to life. 

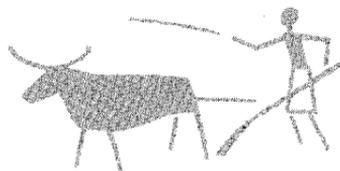
When A New Life Begins

There is perhaps no phenomenon in the field of biology that touches so many fundamental questions as the union of the germ cells in the act of fertilization; in this supreme event all the strands of the webs of two lives are gathered in one knot, from which they diverge again and are rewoven in a new individual life-history. . . . The elements that unite are single cells, each on the point of death; but by their union a rejuvenated individual is formed, which constitutes a link in the eternal procession of life.

F. R. LILLIE, *Problems of Fertilization*



To Free or Freeze



SEVERAL YEARS BACK I used to encounter people who spoke of "Leonard Read's freedom philosophy." Now I run into those who simply say "the freedom philosophy." Leonard Read must be doing something right to find his recipes becoming the common property of cooks and diners who no longer think of crediting the pioneering chef.

Mr. Read, of course, would deny that he is an originator. In his new book, *To Free or Freeze: That is the Question* (Foundation for Economic Education, \$3 cloth, \$2 paper), he remarks that "practically every idea we espouse and pass off as our own is *unknowingly* taken from others." Even so, I find Mr. Read an original in the way he combines his ideas and his methods.

Where else in the country will you find a man who really believes that the way to reform others is to reform yourself in hopes that the example will lead to self-discovery along similar lines in whoever cares to listen? Max Eastman, the crusader who became more contemplative in later life, used to refer to Mr. Read's Foundation for Economic Education as "the monastery," which I am sure Mr. Read would take as a compliment. After all, it was the monastery that kept the lamps of learning burning through the Dark Ages. "FEE," says Mr. Read in his essay, "Speak for Yourself, John," "is not an institutional spokesman nor an organization trying to 'reach' anyone. Rather, ours is, one might say, no more than an agency offering such services as you may think of

value in your own search and personal growth. . . . Instead of playing the utterly futile game of trying to 'reach' others, we can concentrate on getting enough into our own mentalities and improving our services to the point where others will reach for us."

Emphasis on the Individual

In keeping with his pilgrim's accent on first principles, Mr. Read dispenses with the "scientific" jargon which tries to make political economy over into a predictive natural science like Newtonian physics. To Mr. Read, everything goes back to the individual (no two people are alike!) whose free will and unforeseeable subjective valuations put an aberrant factor into every economic equation. It is obvious that economics does not become a *statistical* subject until after the fact of choice. The whole question of choice leads from considerations of GNP and chatter about "parameters," whatever they are, to moral philosophy, with its concern for right and wrong. Mr. Read wants to think about good and evil, not about the technical questions that lead to so much manipulation of individuals as though they were pawns in some dictator's game of chess.

The good, to Mr. Read, is anything that adds to the sum of creativity. Force must sometimes

be used to keep one man from injuring another, but this does not alter the truth that what Mr. Read calls "viewpoints, evaluations, inventions, insights, intuitive flashes, think-of-that's" do not thrive in a world of controls and government seizures. When force, going beyond the police power, is used to transfer wealth, it hurts the sum total of creativity by enfeebling the injured person and encouraging laziness in the supposed beneficiary. Contemplation of the nature of force leads Mr. Read back to the State-as-night-watchman and away from the modern heresy of the State-as-quarterback. The State's proper business is protection against such things as fraud, the spread of disease, and attack from abroad.

Actions Have Consequences

Mr. Read does not believe in crystal balls. But he does believe in "ifs." For example, if we persist in our present course of price and wage fixing, or "incomes policy," the "if" will lead to more scarcities. Scarcities under conditions of continuing price control, will lead to rationing, to be followed in turn by black markets. The fabric of law will suffer, and the accompanying growth of cynicism will make for increased violence. To control the violence, the government will have to use

strong-arm means. And, to administer the strong-arm medicine, a tough guy will have to take over. As Hayek said long ago, the goons, in a world of controls, rise to the top.

Now, Mr. Read is not saying that the U.S. is bound to persist in its present foolish course; the politicians may come to their senses when they discover that inflation (a matter of the money-and-credit supply) cannot be stopped by price and wage boards issuing their ukases. All Mr. Read is uttering is a little "if." The future is not to be glimpsed in any crystal ball for the simple reason that it depends on what is being done by "our actions now." Change in these actions naturally changes the "if."

A Vicious Circle of Subsidies

The other day I listened to a plausible plea for State subsidy to the arts. Taken on its own terms, the argument seemed to me at least morally irrefutable. We have had inflation, which means that people have been robbed of the purchasing power they might have spent on going to plays, or on buying books or visiting museums. As a matter of retributive justice, why shouldn't the State return some of the stolen purchasing power to the art-loving individual? I put this question to

Mr. Read. "The trouble," he said, "is that the money is no longer there. There's nothing to be returned."

Of course, there is money there for the arts — and for a million other things — on a short-term basis, provided we are willing to let our children pay the bills. Meanwhile, the quarrel between hundreds of separate pressure groups, each intent on retributive justice, puts an intolerable strain on government, which cannot hope to conjure up the necessary "just" payments out of a top-heavy tax structure and more inflation. What Mr. Read was really saying is that "pretty soon the resources won't be there." This is something that our politicians, along with the people who prod them, have not yet faced.

The Victims of "Help"

Mr. Read, "bonded to conscience," wonders how we are to reverse the drift that is taking our society to "all-out" statism. As a first order of business he insists that those who would stop the downward plunge must "develop the quality of personal incorruptibility." Politically speaking, the "incorruptible" man should "never give approval to a law that 'helps' anyone."

This is hard doctrine for the modern age, which believes in so-

called "positive" action by the State. But Mr. Read says that "pity, unless spiced with common sense, is what's heartless." Providing people with "governmental feeding stations" kindles the vice of avarice. Beyond that, it tends to render people helpless by atrophying their faculties. "Helping people to become helpless," says Mr. Read, "is no act of kindness."

If you look at what is taking place in the political and social arenas, it might seem that Mr. Read and his "saving remnant" are hopelessly out of fashion. Nevertheless, "the freedom philosophy" has many more adherents than it had in the Nineteen Forties, when I first heard Mr. Read talk about tapping the emergent energy of the individual. At long last the intellectual currents are not all going the same way, which gives us ground for hope that we'll be free before we freeze.

▶ **WHAT, HOW, FOR WHOM:** *The Decisions of Economic Organization* by Henry N. Sanborn (Box 8466, Baltimore, Md.: Cotter-Barnard, 1972, 356 pp., \$5.20)

Reviewed by Gary North

FIVE YEARS AGO, supporters of the free market who wanted a textbook for an introductory course at the college level in economics had

Allen and Alchian's *University Economics* as the one reasonable selection. Now we have Thomas Sowell's *Economics*, a reprint of Rothbard's *Man, Economy and State*, and Prof. Sanborn's new book. Things are looking up.

Sanborn teaches at Towson State College in Baltimore. His perspective is Chicago oriented, i.e., he follows Milton Friedman on monetary theory, George Stigler on antitrust laws, and positivists in general on methodology. He refers constantly to the $MV = PT$ monetary equation, and from this he concludes that a steady increase of the money supply by the government will eliminate serious depressions. A teacher would be wise to assign Rothbard's *What Has Government Done to Our Money?* along with Sanborn's book.

Generally he favors the market as a means of both human freedom and efficiency. He also avoids the use of the "indifference curve" approach which has done so much to confuse a generation of students. He writes in a folksy, nonpretentious style, which is probably the best reason for the book's superiority. His footnotes are not burdened with citations from obscure professional journals, but are graphic and illustrative, using such sources as the *Wall Street Journal*, *New York Times*, *Newsweek*, *Barron's*. The inclusion of

cartoons also makes it lively; their impact may remain when the memory of marginal cost curves has long faded.

This would be an ideal book for a one semester course, especially for nonmajors. It should also be a source of classroom controversy. For example, on page 299, he simultaneously praises military conscription laws and calls for the abolition of laws against prostitution and narcotics. His basically pragmatic approach mars the final chapter especially, where he calls for various kinds of government intervention to eliminate minor defects of the market system ("neighborhood effects," natural monopoly), but on the whole these deviations are few. The first half of the book is exceptionally good. The one major flaw is his explanation of profits: he accepts the entrepreneurial theory of Frank H. Knight (and Mises), only to abandon it in later pages for a "return on company inputs" theory which is distressingly vague, for good reason. If this is cleared up in later editions, it will be a very good introductory textbook.

► **IMPUTED RIGHTS** by Robert V. Andelson (Athens: University of Georgia Press, 1971, 153 pp. \$6.00)

Reviewed by Edmund A. Opitz

IN VIEW of the central importance of the idea of rights to the philosophy of liberty it is astonishing that books dealing with the subject are so few. Professor Andelson's formidable little volume stands virtually alone; interest in the idea, either for its own sake or for its significance in our history, has inspired few researchers and writers. There are other puzzling questions. The doctrine of individual rights is an idea of the first magnitude, to be ranked alongside the idea of gravity or the theory of relativity. Why, if the idea is so important, did it take Western civilization more than two thousand years to grasp it? Why has no other civilization even come close? Why, having once embraced the idea of rights, did we abandon it in a fraction of the time it took the West to gain it? And after having largely let go of the substance, why do we so pathetically cherish the label of "rights" that we now paste on patents of privilege granted by the state!

Things were different in the eighteenth century. Men of that era echoed Locke when they talked about the right to life, liberty, and



property. What began with Locke as a philosophical speculation worked its way into men's bones and became something they could almost taste. Conditions in the American colonies gave each man unaccustomed liberty to live his life and be responsible for the property he produced. And there were, in addition, religious convictions about a protected, private domain in each individual whose invasion would violate the sacred prerogatives of the person. Monarchy broke itself against these convictions, which in turn were strong enough to generate the ideal of a government instituted solely to secure these rights. It is to the idea of rights in this tradition that Dr. Andelson addresses himself, and in a closely reasoned, gracefully written book, he vindicates this idea in a masterful way.

Briefly surveying the history of his subject, the author finds three distinct theories of human rights, as analyzed in terms of ground, end, and regulating principle. He finds strong reasons for rejecting the radical-humanist and utilitarian arguments for rights and places himself in the metaphysical tradition which "derives rights from man's place in a purposive order." The book's frame of reference is theological; it is an examination of "the nature of man in the light of the distinctive end for

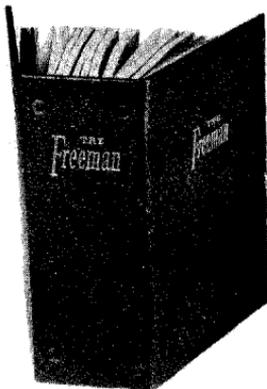
which he was created." A society which maximizes personal liberty for all and jealously guards individual rights provides the context in which men and women may best fulfill their earthly purposes and achieve their transcendent goals. The first half of the book lays the theoretical groundwork for what the author terms "a rationalized social structure deduced from Christian premises," and it is a pleasure to watch a carefully articulated argument unfold. The author's orientation is broadly Calvinistic, and he views man as "fallen." That is to say, man's nature is out of joint; so an empirical examination of human nature as it is does not disclose any such thing as "rights" organic to man as such. But human nature is more than natural, which is to say that rights are imputed to man by his Maker. Even those who do not accept the author's theology will find this a meaty discussion.

So much for the theoretical groundwork; now for the practical application. Professor Andelson proves to be tough-minded and cogent as he tests his philosophy of personal rights against a number of vexed issues. Guided by "the evidence of social data and the rules of logical consistency," the author proceeds to spell out in some detail that "structure of mutual noninterference which pro-

vides the only rational criterion for adjudicating competing claims to personal fulfillment." There is no room in Professor Andelson's philosophy for government welfare programs: ". . . the alleviation of misery is not, as such, a right, and ought not, as such, be coercively enforced. For the use of coercion, other than to guarantee rights, is an infringement upon rights . . ." Beyond this, he would not countenance any effort to legislate morals; conduct which merely offends sensibilities and is not clearly predatory is no concern of the law. The author champions the right of private association (and dissociation) and thus comes into conflict with aspects of current civil rights

legislation. The law should enforce contracts and protect rightful property. The laborer is not a commodity, the author affirms, but "his labor is the commodity par excellence" — a position at variance with monopoly unionism. And as for the United Nations, its absurd Declaration of Human Rights "is proof of its untrustworthiness to wield supreme authority."

This brief resume of some of the issues may convey the notion that Dr. Andelson is forthright to the point of abrasiveness. Correct! The reviewer dissents vigorously from several of the opinions expressed but applauds the candor which makes this a cleansing book and an important one. 



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ISRAEL M. KIRZNER

advertising



ADVERTISING has been badly treated by many scholars who should know better. Not only Marxists and liberals, but even conservatives have given advertising a bad press. Let us examine some of the criticisms.

- First, many advertising messages are said to be offensive – by esthetic or ethical and moral standards. Unfettered, unhampered, laissez-faire capitalism, it is contended, would propagate such messages in a way that could very well demoralize and offend the tastes and morals of members of society.

- Second, advertising, it is argued, is deceitful, fraudulent, full of lies. Misinformation is spread by advertising, in print, on the airwaves, and this does harm to the members of society; for that reason advertising should be controlled, limited, taxed away.

- Third, it is argued that where advertising is not deceitful, it is at best persuasive. That is, it attempts to change people's tastes. It attempts not to fulfill the desires of man but to change his desires to fit that which has been produced. The claim of the market economist has always been that the free market generates the flow of production along the lines that satisfy consumer tastes; their tastes determine what shall be produced – briefly, consumer sovereignty. On the contrary, the critics of advertising argue, capitalism has developed into a system where producers produce and then mold men's minds to buy that which has been produced. Rather than production being governed by consumer sovereignty, quite the reverse: the consumer is governed by producer sovereignty.

- A fourth criticism has been that advertising propagates monopoly and is antithetical to competition. In a competitive economy, it is pointed out, there would be no advertising; each seller would sell as much as he would like to sell without having to

Dr. Kirzner is Professor of Economics at New York University. He is the author of *The Economic Point of View*, *Market Theory and the Price System*, and *An Essay on Capital*. This article is transcribed from a lecture.

convince consumers to buy that which they would not otherwise have bought. So, advertising is made possible by imperfections in the market. More seriously, it is contended, advertising leads toward monopoly by building up a wall of good will, a protective wall of loyalty among consumers which renders a particular product immune to outside competition. Competing products, which do not share in the fruits of the advertising campaign, find themselves on the outside. This barrier to entry may gradually lead a particular producer to control a share of the market which is rendered invulnerable to the winds of outside competition.

• Finally — and this in a way sums up all of these criticisms — advertising is condemned as wasteful. The consumer pays a price for a product which covers a very large sum of money spent on advertising. Advertising does not change the commodity that has been purchased; it could have been produced and sold at a much lower price without the advertising. In other words, resources are being used and paid for by the consumer without his receiving anything that he could not have received in their absence.

These are serious criticisms. We have learned to expect them to be emphasized by contemporary liberal economists. To Marxist thinkers, again, advertising is essential for capitalism; it is seen as a socially useless device necessary in order to get excess pro-

duction sold. They see no positive elements in advertising at all. But even conservative thinkers and economists have pointed out some apparent limitations, weaknesses, criticisms of advertising.

The Free Economy and How It Functions

It is not my purpose here to defend each and every advertising message. I would rather discuss a free economy, a laissez-faire economy, pure capitalism. I would like to show that in such a world, advertising would emerge with a positive role to play; that it would add to the efficiency with which consumer wants are satisfied; and that, while the real world is far from perfect, a large volume of the criticism would fade away were it understood what role advertising, in fact, has to play in a pure market economy.

Let me imagine a world, a free market, in which there are no deceitful men at all. All the messages beamed to consumers and prospective consumers would be as far as the advertisers themselves believe, the strict truth. We will consider later the implications of the fact that men are imperfect and that men succumb to the temptation in selling something to say a little bit less, a little bit more, than the exact truth. In the meantime, let us

talk about a world of honest men, men who do not try to deceive.

Further, let us imagine a pure market economy with government intervention kept to the absolute minimum — the night watchman role. The government stands to the sidelines and ensures the protection of private property rights, the enforcement of contracts freely entered into. Everyone then proceeds to play the game of the free market economy with producers producing that which they believe can be sold to the consumers at the highest possible money price. Entrepreneur producers, who detect where resources are currently being used in less than optimum fashion, take these resources and transfer them to other uses in the economy where they will serve consumer wants which the entrepreneurs believe are more urgently desired, as measured by the amounts of money consumers are willing to pay for various products.

We will assume that there is freedom of entry into all industries. No entrepreneur has sole control over any resource that is uniquely necessary for the production of a given product. No government licenses are required in order to enter into the practice of a given profession or to introduce a particular product. All entrepreneurs are free to produce what

they believe to be profitable. All resource owners are free to sell their resources, whether labor, natural resources, capital goods. They are free to sell or rent these resources to the highest bidder. In this way the agitation of the market gradually shuffles resources around until they begin to be used to produce those products which consumers value most highly. Consumers arrange their spending to buy the commodities they believe to be most urgently needed by themselves. And the market flows on in the way that we understand it.

Open Competition

We say this is a free market, a laissez-faire, competitive system. But we do not mean a *perfectly* competitive market, as this notion has been developed by the neo-classical economists. In a perfectly competitive market, each seller faces a demand curve which is perfectly horizontal. That is to say, each seller believes that he can sell as much as he would like to sell without having to lower the price. Each buyer faces a perfectly horizontal supply curve and each buyer believes that he can buy as much as he would like to buy of anything without having to offer a higher price. In such a world of "perfect competition," we have what we call an "equilib-

rium" situation, that is a situation where all things have already been fully adjusted to one another. All activities, all decisions have been fully coordinated by the market so that there are no disappointments. No participant in the economy discovers that he could have done something better. No participant in the economy discovers that he has made plans to do something which it turns out he cannot do.

In this model of the perfectly competitive economy, there would in fact be *no* competition in the sense in which the layman, or the businessman, understands the term. The term "competition" to the businessman, the layman, means an activity designed to outstrip one's competitors, a rivalrous activity designed to get ahead of one's colleagues, or those with whom one is competing. In a world of equilibrium, a world of "perfect competition," there would be no room for further rivalry. There would be no reason to attempt to do something better than is currently being done. There would, in fact, be no competition in the everyday sense of the term.

When we describe the *laissez-faire* economy as competitive, we mean something quite different. We mean an economy in which there is complete freedom of entry; if anyone believes that he

can produce something that can serve consumers' wants more faithfully, he can try to do it. If anyone believes that the current producers are producing at a price which is too high, then he is free to try to produce and sell at a lower price. This is what competition means. It does not mean that the market has already attained the "equilibrium" situation, which goes under the very embarrassing technical name of "perfectly competitive economy."

Non-Price Competition

Now, economists and others understand generally that competition means price competition: offering to sell at a lower price than your competitors are asking, or offering to buy at a higher price than your competitors are bidding. Entrepreneurs will offer higher prices than others are offering for scarce labor. They will offer to sell a product at lower prices than the competing store is asking. This is what price competition means. This is the most obvious form in which competition manifests itself.

However, we must remember that there is another kind of competition, sometimes called "non-price competition," sometimes called "quality competition." Competition takes the form not only of producing the identical product

which your competitors are producing and selling it at a lower price, not only in buying the identical resource which your competitors are buying and offering a higher price. Competition means sometimes offering a better product, or perhaps an inferior product, a product which is more in line with what the entrepreneur believes consumers are in fact desirous of purchasing. It means producing a different model of a product, a different quality, putting it in a different package, selling it in a store with a different kind of lighting, selling it along with an offer of free parking, selling through salesmen who smile more genuinely, more sincerely. It means competing in many, many ways besides the pure price which is asked of the consumer in monetary terms.

With freedom of entry, every entrepreneur is free to choose the exact package, the exact opportunity which he will lay before the public. Each opportunity, each package has many dimensions. He can choose the specifications for his package by changing many, many of these variables. The precise opportunity that he will lay before the public will be that which, in his opinion, is more urgently desired by the consumer as compared with that which happens to be produced by others. So

long as there's freedom of entry, the fact that my product is different from his does not mean that I am a monopolist.

A Disservice to Economics

The late Professor Edward H. Chamberlin of Harvard did economics a great disservice in arguing that because a producer is producing a unique product, slightly different from what the fellow across the street is producing, in some sense he is a monopolist. So long as there's freedom of entry, so long as the man across the road *can* do exactly what I'm doing, the fact that he is *not* doing exactly what I'm doing is simply the result of his different entrepreneurial judgment. He believes that he can do better with *his* model. I believe I can do better with *mine*. I believe that free parking is more important to consumers than fancy lighting in the store. He gives a different package than I do. Not because he couldn't do what I'm doing, not because I couldn't do what he's doing, but because each believes that he knows better what the consumer is most anxious to acquire. This is what we mean by competition in the broadest sense, not merely price competition, but quality competition in its manifold possible manifestations.

Professor Chamberlin popu-

larized a distinction which was not original with him but which owes its present widely circulated popularity primarily to his work. That is a distinction between "production costs" and "selling costs." In his book of almost forty years ago, *The Theory of Monopolistic Competition*, Chamberlin argued that there are two kinds of costs which manufacturers, producers, sellers, suppliers incur. First, they incur the fabrication costs, the costs of producing what it is they want to sell. Second, they incur additional expenditures that do not produce the product or change it or improve it, but merely get it sold. Advertising, of course, is the most obvious example which Chamberlin cited. But "selling costs" of all kinds were considered by him to be sharply different from "production costs." In his original formulation, Chamberlin argued that "production costs" are costs incurred to produce the product for a given Demand Curve while "selling costs" simply shift the Demand Curve over to the right. That is to say, the same product is now purchased in greater quantities at a given price but the product is the same.

A False Distinction

The fallacy in the distinction between production costs and sell-

ing costs is fairly easy to notice. In fact, it is impossible for the outside observer—except as he resorts to arbitrary judgments of value—to distinguish between expenditures which do, and expenditures which do not, alter the product. We know as economists that a product is not an objective quantity of steel or paper. A product is that which is perceived, understood, desired by a consumer. If there are two products otherwise similar to the outside eye which happen to be considered to be different products by the consumer, then to the economist these *are* different products.

Ludwig von Mises gives the example, which cannot be improved upon, of eating in a restaurant. A man has a choice of two restaurants, serving identical meals, identical food. But in one restaurant they haven't swept the floor for six weeks. The meals are the same. The food is the same. How shall we describe the money spent by the other restaurant in sweeping the floor? "Production costs" or "selling costs?" Does sweeping change the food? No. Surely, then, it could be argued that this is strictly a "selling cost." It is like advertising. The food remains the same; but, because you have a man sweeping out the floor, more people come to this restaurant than to that.

But this is nonsense. What you buy when you enter a restaurant is not the food alone. What you buy is a meal, served in certain surroundings. If the surroundings are more desirable, it's a different meal, it's a different package. That which has been spent to change the package is as much production cost as the salary paid to the cook; no difference.

Another example that I recall was the case of the coal being run out of Newcastle and traveling along the railroad toward London. Every mile that coal travels nearer the London drawing room, the Demand Curve shifts over to the right. How shall we describe that transportation cost? "Production cost" or "selling cost?" Of course, it's "production cost." In fact, it's "selling cost" too. All "production costs" are "selling costs." All costs of production are incurred in order to produce something which will be more desirable than the raw materials.

You take raw meat and turn it into cooked steak. The act of changing the raw meat into cooked steak is to make the consumer desire it more eagerly. Does this simply shift the Demand Curve over to the right? Of course, it does that. It does it by changing the product.

Another example supposes there

are two identical pieces of steel, except that one piece has been blessed, while the other piece is subject to a spiritual taint, which to the scientist is not there but which is very vivid and vital to the consumer. How shall we describe the expenditure on the commodities? Shall we describe the difference between them as non-existent? Or should we not recognize that, if something is spiritually tainted to the consumer — in his view, not necessarily in mine or yours or the economist's or other than in the mind of the consumer — then he will not buy the tainted item, even though to the objective laboratory scientist there's no difference between the items? The economist has recognized these as two different commodities. There'll be two Demand Curves. The fact that the scientist doesn't see any difference — they look the same, they smell the same, if you touch them they feel the same — is irrelevant. We know, as economists, that what we find in a commodity is not the objective matter that is inside it, but how it is received by the consumer.

Clearly then, the distinction between a so-called "selling cost" and "production cost" is quite arbitrary. It depends entirely on the value judgments of the outside observer. The outside observer

can say that this particular selling effort does not change the product, but in that situation he is arrogating to himself the prerogative of pronouncing what is and what is not a product. That is something which violates our fundamental notions of individual consumer freedom: that a consumer's needs are defined by no one else other than himself. This may seem quite a detour from advertising and yet it is all relevant to the question of what role advertising has to play.

The Provision of Information

Let us consider how some of these notions apply to the matter of information. One of the standard defenses for advertising is that it provides a service which consumers value: the provision of knowledge, the provision of information. People buy books. People go to college. People enroll in all kinds of courses. Advertising is simply another way of providing information. To be sure, it would seem that the information provided by suppliers comes from a tainted source, but don't forget that we are imagining for the meantime a world without deceitful people.

We can even relax that assumption for a moment. It may be cheaper for the consumer to get his information from the supplier

or the producer than from an outside source. In other words, if you, a consumer, have the choice of acquiring information about a particular product—either more cheaply from the producer or more expensively from an outside, “objective” source—you may decide that, on balance, you're likely to get a better deal, penny-for-penny, information-wise, by reading the information of the producer, scanning it perhaps with some skepticism, but nonetheless relying on that rather than buying it from an outside source. Technically, this involves what is known as the problem of transactions costs. It may be more economical for the information to be packaged together with the product, or at least to be produced jointly with the product, than to have the information produced and communicated by an outside source. This is a possibility not to be ignored.

Advertising provides information, and this goes a long way to explain the role which advertising and other kinds of selling efforts must play. Does this not seem to contradict the point just made, that there is no distinction between “production costs” and “selling costs”? Surely information about a product is distinct from the product. Surely the costs incurred to provide information are a different kind of costs than

the costs incurred to produce the product. The answer is clearly, no. Information is produced; it is desired; it is a product; it is purchased jointly with the product itself; it is a part of the package; and it is something which consumers value. Its provision is not something performed on the outside that makes people consume something which they would not have consumed before. It is something for which people are willing to pay; it is a service.

You can distinguish different parts of a service. You can distinguish between four wheels and a car. But the four wheels are complementary commodities. That is to say, the usefulness of the one is virtually nil without the availability of the other. The car and gasoline are two separate products, to be sure, and yet they are purchased jointly, perhaps from different producers, different suppliers, but they are nonetheless parts of a total package, a total product. If it happens that the information is produced and sold jointly with the product itself, then we have no reason to question the characteristics of the costs of providing information as true "production costs," not producing necessarily the physical commodity about which information is produced, but producing information which is indepen-

dently desired by consumers, independently but jointly demanded, complementarily used together with the "product" itself. In other words, the service of providing information is the service of providing something which is needed just as importantly as the "product" itself.

Why the Shouting?

There is another aspect of advertising which is often overlooked. Information is exceedingly important. But, surely, it is argued, information can be provided without the characteristics of advertising that we know, without the color, without the emotion, without the offensive aspects of advertising. Surely information can be provided in simple straightforward terms. The address of this and this store is this and this place. These and these qualities of commodities are available at these and these prices. Why do illustrated advertising messages have to be projected? Why do all kinds of obviously uninformative matter have to be introduced into advertising messages? This is what renders the information aspects of advertising so suspect. The Marxists simply laugh it away. They say it is ridiculous to contend that advertising provides any kind of genuine information. If one rests

the defense of advertising on its informative role, then one has a lot of explaining to do. One has to explain why information that could be provided in clear cut, straightforward terms is provided in such garish and loud forms, in the way that we know it.

The answer, I think, is that advertising does much more than provide information which the consumer wishes to have. This is something which is often overlooked, even by economists. Supposing I set up a gas station. I buy gasoline and I have it poured into my cellar, my tanks. I have a pump carefully hidden behind some bushes, and cars that come down the road can buy gas if they know that I'm here. But I don't go to the effort to let them know I'm here. I don't put out a sign. Well, gas without information is like a car without gas. Information is a service required complementarily with the gas.

**Customers Want to Know
Where to Find the Product**

Supposing, then, I take a piece of paper, type very neatly in capital letters, "GAS," and stick it on my door. Cars speed down the road in need of gas, but they don't stop to read my sign. What is missing here? Information is missing. Don't people want information? Yes. They would like to know

where the gas station is, but it's a well kept secret. Now, people *are* looking for that information. It's my task as an entrepreneur not only to have gas available but to have it in a form which is known to consumers. It is my task to supply gas-which-is-known-about, not to provide gas *and* information.

I have not only to produce opportunities which are available to consumers; I have to make consumers aware of these opportunities. This is a point which is often overlooked. An opportunity which is not known, an opportunity to which a consumer is not fully awakened, is simply not an opportunity. I am not fulfilling my entrepreneurial task unless I project to the consumer the awareness of the opportunity. How do I do that? I do that, not with a little sign on my door, but with a big neon sign, saying GAS; and better than that I chalk up the price; and better than that I make sure that the price is lower than the price at nearby stations; and I do all the other things that are necessary to *make* the consumer *fully* aware of the opportunity that I am in fact prepared to put before him. In other words, the final package consists not only of abstract academic information but in having the final product placed in front of the consumer in such a form that he cannot miss it.

Free \$10 Bills!

The strange thing about the world in which we live is that it is a world in which \$10 bills are floating around, free \$10 bills! The problem is that very few of us notice these \$10 bills. It is the role of the entrepreneur to notice the existence of \$10 bills. An entrepreneur buys resources for \$10 and he sells the product for \$20. He is aware that resources available for \$10 are currently being used in less than optimum fashion, that commodities for which consumers are willing to pay \$20 are not being produced, and he puts these things together. He sees the \$10 bill and makes the combination which other people do not see. Anybody might do it — freedom of entry. The entrepreneur notices the \$10 bill, gets it for himself by placing in front of the consumer something which he had not noticed. If the consumer knew where he could buy resources for \$10 and get the product that is worth \$20, he wouldn't buy from the entrepreneur. He would do it himself. Since he doesn't know, I, as entrepreneur, have to create this opportunity and make the consumer aware.

It is not enough to buy gas and put it in the ground. The entrepreneur puts it in the ground in a form that the consumer recognizes. To do this requires much more

than fabrication. It requires communication. It requires more than simple information. It requires more than writing a book, publishing it, and having it on a library shelf. It requires more than putting something in a newspaper in a classified ad and expecting the consumer to see it. You have to put it in front of the consumer in a form that he *will* see. Otherwise, you're not performing your entrepreneurial task.

The Growth of Advertising

Advertising has grown. Compare the volume of advertising today with the volume of 100 years ago and it has grown tremendously. More! Consider the price of a commodity that you buy in a drug store or in a supermarket. Find out what portion of that price can be attributed to advertising costs and it turns out that a much larger percentage of the final cost to the consumer can be attributed to advertising today than could have been attributed 50 years ago, 70 years ago, 100 years ago. Why is this? Why has advertising expenditure grown in proportion to total value of output? Why has advertising expenditure grown in proportion to the price of a finished commodity? Why has advertising apparently grown more offensive, more loud, more shrill? It's fairly easy to understand.

I give, as example, the lobby walls of a college building that I know very well. At one time this was a handsome lobby with walls of thick marble; you could walk from one end of the building to the other and the walls would be clear. Some years ago an enterprising entrepreneur decided to use some free advertising space. He pasted up a sign. It was the only sign on the wall; everybody looked at it, saw the message. I don't remember what the message was or whether it was torn down, but I do remember that soon afterward those walls were full of signs. As you walked down the passage, you could read all kinds of messages, all kinds of student activities, non-student activities, student non-activities. It was fairly easy to learn about what was going on simply by reading the signs.

At first, the signs did not have to be big. But as advertisers saw the opportunity, the free space gradually filled up. The Ricardian rent theory came into play; all the free land was in use. And as the free land or space was taken, of course, it became more and more important to get up early to paste up your sign. That was the "rent," the high price, getting up early. But more than that, it became necessary now to arouse all kinds of interest in me in order to get me to read these signs. In other

words, the variety and multiplicity of messages make it harder and harder to get a hearing.

The Price of Affluence

We live in a world which is often described as an "affluent society." An affluent society is one in which there are many, many opportunities placed before consumers. The consumer enters a supermarket and if he is to make a sensible, intelligent decision he is going to have to spend several hours calculating very carefully, reading, re-reading everything that's on the packages and doing a complete research job before feeding all the information into the computer and waiting for the optimum package to be read off. It's a tough job to be a consumer. And the multiplicity of opportunities makes it necessary for advertisers, for producers, to project more and more provocative messages if they want to be heard. This is a cost of affluence. It is a cost, certainly; something that we'd much rather do without, if we could; but we can't.

The number of commodities that have been produced is so great that in order for any one particular product to be brought to the attention of the consumer a large volume of advertising is necessary. And we can expect to get more and more. Is it part of

production costs? Very definitely, yes. It is completely arbitrary for anyone to argue that, whether or not the consumer knows it, the commodity is there anyway, so that when he pays the price which includes the advertising communication he is paying *more* than is necessary for the opportunity made available. For an opportunity to be made available, it must be in a form which it is impossible to miss. And this is what advertising is all about.

One more word about the offensiveness of advertising. Ultimately in a free market, consumers tend to get what they want. The kinds of products produced will reflect the desires of the consumer. A society which wants moral objects will get moral objects. A society which wants immoral objects will tend to get immoral objects. Advertised communication is part of the total package produced and made available to consumers. The kind of advertising we get, sad to say, is what we deserve. The kind of advertising we get reflects the kind of people that we are. No doubt, a different kind of advertising would be better, more moral, more ethical in many respects; but I'm afraid we have no one to blame but ourselves, as in all cases where one deplores that which is produced by a market society.

A final word about deceit. Of course, deceitful advertising is to be condemned on both moral and economic grounds. But we have to put it in perspective. Let me read from one very eminent economist who writes as follows:

The formation of wants is a complex process. No doubt wants are modified by Madison Avenue. They are modified by Washington, by the university faculties and by churches. And it is not at all clear that Madison Avenue has the advantage when it comes to false claims and exaggerations.¹

Take with a Grain of Salt

In other words, we live in a world where you have to be careful what you read, to whom you listen, whom to believe. And it's true of everything, every aspect of life. If one were to believe everything projected at him, he would be in a sorry state.

It is very easy to pick out the wrong messages to believe. Now, this doesn't in any way condone or justify deceitful messages of any kind. We have to recognize, however, while particular producers may have a short-run interest in projecting a message to consumers of doubtful veracity, that

¹ H. Demsetz, "The Technostructure, Forty-Six Years Later," (*Yale Law Journal*, 1968), p. 810.

so long as there's freedom of competition the consumer has his choice not only of which product to buy but who to believe. And notice what is the alternative in this world of imperfect human beings. The alternative, of course, is government control—still by imperfect human beings. So there is no way to render oneself invulnerable to the possibility of false, fraudulent, deceitful messages.

It would be nice to live in a world where no deceitful men were present. It would be cheaper. You could believe any message received. You wouldn't have to check out the credentials of every

advertiser. But that is not the world in which we live. You check out the credit standing of individuals, the character of people with whom you deal; and this is an unavoidable, necessary cost. To blame advertising for the imperfections and weaknesses of mankind is unfair. Advertising would exist under any type of free market system. Advertising would be less deceitful if men were less deceitful. It would be more ethical, less offensive, if men were less offensive and more ethical. But advertising itself is an integral, inescapable aspect of the market economy. 

WHAT DO YOU HAVE *against* THE POOR

LEONARD E. READ

WHENEVER he hears someone demand a minimum wage law or any other impediment to freedom in transactions, my friend asks in all seriousness, "What do you have against the poor?" His point is well-taken. Unquestionably, many sponsors of welfare schemes—the

long-run effect of which is to kill the goose that lays the golden eggs—are well-intentioned. Their hearts, if not their heads, are in the right place. The idea that they are doing offense to the very persons they wish to help is a shocker—hopefully, an eye-opener.

Perhaps the first shock would stem from the thought that a minimum wage law might do injury to anyone at all. Possibly to the wealthy employer, but surely not to the poor! The fact, however, is that those who have little to offer in the way of marketable skills are marginal producers at best; their services are wanted by others only at very low wages. Indeed, the total disappearance of such marginal producers would scarcely affect the over-all economy. So my friend is quite right. It is primarily, if not entirely, the poor who stand to lose if wage rates are pegged artificially high; those who sponsor minimum wage laws behave as if they hold a grudge against the poor.

The fact that a fair share of these sponsors act from motives of sympathy or pity—that they bear no grudge—in no way changes the consequences of their actions. Nonetheless, they victimize the poor. They hurt most the ones they love—and all because they fail to recognize these simple facts:

1. The eternal problem of economics is to overcome scarcity.

2. Plenitude is achieved by the application of human energies to natural resources and to the exchange of the numerous specializations.

3. The value of anything to any-

one is always a subjective judgment—whatever one is willing to give up or trade for something else.

4. Freedom of production and trade—the free market—is the goose that lays the golden eggs and all impediments to this process, to the extent of their force and coverage, are destructive—obstacles to plenitude.

5. Minimum wage laws of say \$2.00 leave unemployed all persons whose services are not of that much value to others.

6. To the extent of the productive potential thus unemployed, to that extent is the number of golden eggs reduced. But far worse: to that extent is everyone who cannot produce up to \$2.00 an hour decreed *waste* and relegated to the economic scrapheap.

Wage Floors Hurt the Poor

Nearly all who think of themselves as professional economists, regardless of their differences on some matters, agree that minimum wage laws inflict injury first and foremost on the poor. Even the avowed socialist, Gunnar Myrdal, the celebrated Swedish economist, turns thumbs down on this economic monstrosity.¹ The writings of economists in support of

¹ See *The American Dilemma* (rev. ed.) by Gunnar Myrdal (New York: Harper & Row, 1962).

this point are plentiful, indeed.

However, not all sponsors of minimum wage laws are "good guys" lacking in economic sense. There are countless thousands, perhaps a majority, whose motivations are mercenary. The first type is to be found in labor union "leadership." The motivation here is to keep these low-wage, marginal producers off the labor market, that is, to eliminate them from competition. Permit no one to wait on table for, say, \$1.00 an hour, even if he wishes to do so, and the union gains a monopoly of waiters' jobs. Call this crass materialism or what you will, it is not inspired by sympathy or pity.

The second type is to be found in political "leadership." The motivation here is to climb on the bandwagon of labor union popularity in order to get elected to office. Sympathy? Hardly!

As a novelist says of one of these characters, "He had learned to love the poor, *profitably!*"

Minimum wage laws generally call to mind only those legislative edicts bearing the label. In 1938 the minimum was 25 cents; in 1945, 40 cents; and since has risen step by step to \$1.60. Presently, the proposal is \$2.00. These edicts, however, are only the obvious. Every arbitrary wage coercively imposed by labor unions, over and above whatever the free market

wage would be, is really a minimum wage. The minimum wage for a captain of a 747 jet is \$57,000 annually. Try to get the job for less! But stop not here. The tariff and all other restrictions to free and unfettered exchanges are, in a strict economic sense, minimum wage laws. Those who condemn minimum wage laws, so called, and lend support to other infractions of the free market such as wage and price controls are proclaiming their inconsistency. Every one of these fixities and rigidities — these closures of the market — wreak their hardship on consumers; and the poorer the person, the greater the hardship!

A More Helpful Approach

What is the alternative? What advice shall we give the person who earnestly desires to help "the poor?"

First of all, he must recognize and respect as an individual the one he would love — which means to encourage but in no way to interfere with that person's capacity, will, and effort to help himself. In other words, afford him every opportunity to *earn* his way. How earn it? By serving others, of course. How else does anyone *earn* anything! And what is the most likely opportunity for a poor man to earn his way? By selling his services to the highest bidder

in open competition. Let buyers compete for his services — which means, in general, that the highest bidder will be the employer who can most profitably use that person's services. That employer will earn a profit, not because he is exploiting anyone, but because he is most efficiently using scarce resources for purposes that consumers want and can afford. And "the poor" will reap benefits both as employees and consumers as they move upward out of poverty.

The question is this: how can these countless thousands in the labor union and political categories so flagrantly abuse the poor and be applauded rather than condemned for their actions? The answer is that labor union people and politicians who sponsor this nonsense are doing precisely what most citizens believe to be right. The overwhelming majority of citizens, operating on good intentions, fail to recognize that impediments in the market must frustrate their objective. Were the consensus free-market oriented, the political meddlers would not get to first base with their schemes; they would be thrown out of office.

The next question is, what shall be done to bring more light into this darkness? Perhaps it boils down to this: more individuals than now learning to respect the

preferences of others as well as their own. If I prefer to wait on table for \$1.00 an hour, why should not this disposition on my part be as much honored as that of another who prefers to be President of the U.S.A.? Maybe you prefer teaching for the sheer joy of it — psychic gain — to running a cannery where you might make a fortune — monetary gain. I say, blessings on you and on all others whatever their preferences, so long as you and they are peaceful. This is no more than simple justice, and anyone who acts to the contrary dons the robes of a dictator, intending to run the lives of others.

A Fount of Wisdom

This simple justice and the aforementioned simple facts would seem to be within the grasp and the practice of a majority of citizens. It is my contention that these are attainable achievements in the moral and economic realm. By and large, however, they are not attained. Why? What is the impediment that hinders us from actually attaining the ends which in fact are within our power to attain? A priceless answer if it can be discovered! Let me share a thought that is becoming more and more a conviction. The essence of this thought was expressed by Ralph Waldo Emerson:

We lie in the lap of immense intelligence, which makes us receivers of its truth and organs of its activity. When we discern justice, when we discern truth, we do nothing of ourselves, but *allow a passage of its beams*. (Italics mine)

I have quoted this before, certain that it expressed an important truth. However, it took the remarks of a recent acquaintance to help me realize its full meaning. This individual, as we met for the first time, acknowledged how helpful my writings had been, and then added, pointing to the head, "It is all here. You have merely helped me put together and to better understand that which is already within me." This is an insight that rivals Emerson's!

Emerson's point now seems clear to me and it helps to explain what stands between the attainable and its attainment: a failure to realize one's potential or an un-

willingness to discover and to heed the truths within.

As Emerson so eloquently phrases it, we do, indeed, "lie in the lap of an immense intelligence." As with all radiant energy, this intelligence is in constant movement and it flows through all life. The problem of gaining understanding is one of arresting "its beams," of intercepting or appropriating that which already is within us or is passing through us.

We can be helpful to one another, not by posing as this intelligence but by using, expressing, sharing such of this mysterious energy as we may be fortunate enough to intercept. Once this way to enlightenment is perceived and practiced—a near reversal of present methods—then we may befriend the poor, not merely in proclaimed intentions but in reality. Our hearts and heads will be working in harmony. ☉

From Within

No CHURCH has ever gone into politics without coming out badly smirched. Individual Churchmen may be, and ought to be, if they are well informed, interested in schemes of social legislation; but to advocate a sloppy socialism, under the name of "Christian politics and economics" is, in my opinion, an impertinence. . . .

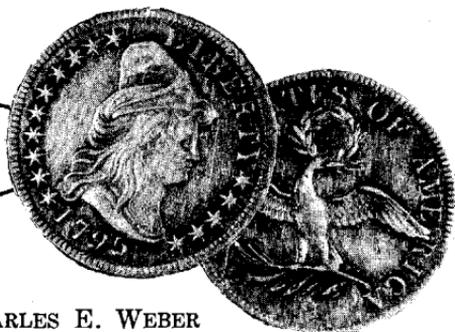
Christianity aims at saving the soul—the personality, the nature of man, not his environment. In direct opposition to Marxian socialism, we are taught that from within, out of the heart of man, comes all that can exalt or defile him.

IDEAS ON



LIBERTY

A Closer Look at Gold



CHARLES E. WEBER

WHEN WE CONTEMPLATE the gold coins from previous centuries we are painfully reminded to what extent modern man has lost his monetary freedom and hence an important aspect of his economic freedom. For thousands of years, with only relatively few and brief exceptions prior to 1915 (or 1934 in the case of the United States) nearly all nations in the main stream of human progress have enjoyed the advantages of the use of gold coinage as a monetary medium. Cowrie shells, stone wheels, rolls of bright bird feathers, salt, bronze ingots and the like were

generally the monetary media of only the least advanced peoples.

Restraints on the use of gold as a monetary medium were rare in previous centuries, so rare, in fact, that we are tempted to speculate that many of the social and economic problems besetting the world in recent decades might not simply be concomitant phenomena of the decline of the public monetary use of gold, but even the results of this decline. In our own case, it is probably not a mere coincidence that since 1934, when the monetary use of gold was prohibited to U.S. citizens, the public debt has climbed to levels that could scarcely have been imagined forty years ago, the purchasing power of the national monetary unit has deteriorated so badly that this decline has become a major national problem, export trade has declined, the centers of large cities have been rotting at

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an accelerated pace and the problem of overpopulation has begun to threaten the very quality of life to which we had become accustomed.

Prior to 1934 the use of gold as a monetary medium had been deeply rooted in our economic and legal traditions. Undoubtedly as a reaction to the chaos caused by excessive issues of paper money¹ before and during the Revolution, the Constitution provided in Article I, Section 10, that "No state shall . . . make any Thing but gold and silver Coin a Tender in Payment of Debts."² A handsome U.S. gold coinage was commenced in 1795 to supplement the foreign gold in circulation, which continued to have the status of legal tender until 1857 on the basis of laws of 1793, 1816, 1834 and 1843. It was this sort of legal precedent that was the basis for the mone-

tary stability of the country (and probably its economic progress) down to recent years.

Fiat Money in France

There is an interesting parallel in French monetary history. When the revolutionary government of France at the end of the 18th century tried to substitute paper money (assignats) supposedly based on the value of confiscated church properties, economic chaos resulted.³ Later on, Napoleon I saw the need of a reform to overcome the paralysis and reinstated the use of the precious metals. His introduction of the twenty franc piece (the "napoleon") in 1803 was an act of far-reaching consequences, as we shall see below. Russia had also tried paper money, likewise designated by a similar word, *assignashii*.⁴

Although a number of governments make every desperate attempt to suppress the monetary use of gold, faith in the sun metal as a store of value is deeply ingrained in the economic common sense of human beings all over the world. When I was in

¹ For a thorough, lavishly illustrated history of the paper money issues of our land from 1690 to 1789 see the brilliant volume by Eric P. Newman, *The Early Paper Money of America*. Racine, 1967.

² In defending this provision, James Madison (*The Federalist Papers*, No. 10) speaks of "A rage for paper money, for an abolition of debts, for an equal division of property, or for any other improper or wicked project. . . ." In No. 44 he continues in the same vein: ". . . the pestilent effects of paper money on the necessary confidence between man and man, on the necessary confidence in the public councils, on the industry and morals of the people, and on the character of republican government . . ."

³ For details, see Andrew D. White, *Fiat Money Inflation in France* (Irvington, N. Y.: Foundation for Economic Education).

⁴ See the well illustrated volume on Russian monetary history by I. G. Spasskii. *RUSSKAIA MONETNAIA SISTEMA*, "Aurora" Press, Leningrad, 1970, p. 201.

Russia in the summer of 1970, a young man explained to me that the old five rouble pieces struck on the standard used beginning with 1897 are now fetching about 90 paper roubles, nearly a typical month's wages in the present Soviet State. The grimly strict monetary laws and energetic propaganda of the Soviet State⁵ had not been able to eradicate a desire for and a trust in gold. During and immediately after World War II many a family was able to avoid starvation by gradually giving up one gold piece after the other to purchase food that could otherwise not be obtained in economies paralyzed by war and post-war controls.

A Coin at Work

Let us contemplate a half eagle struck by the young United States in 1800. As in the case of the vast majority of gold coins struck in the world before 1800, there is also no designation of value or weight on this piece. Gold coins need no designation of value or legal tender status to function

well. The piece we are contemplating is worn, so badly worn that its designs are only slightly above the level of the fields, but its weight is 8.50 grams, only about 3 per cent below its legal weight of 135 grains (8.748 grams).

Now let us reconstruct the tremendous economic task that this gold piece performed so well and so long. The wear on this piece would suggest that it was in circulation at least until the weight reduction of 1834 and perhaps quite a bit longer. If it changed hands on the average of just once a week over a period of 50 years, it changed hands more than 2,500 times and was thus involved in an exchange of more than \$12,500. However, the really remarkable aspect of this performance lies in the fact that every time it changed its owner, the new owner was guaranteed a stable value as long as he wished to keep the piece. What were the costs of this remarkable performance? About 15 cents' worth of gold lost through wear and the very modest cost of striking the piece. To have printed paper money for this period of circulation would have approached or exceeded the minting and gold loss costs. Far more important, however, is the fact that the costs of the gold loss and minting were a very trivial consideration in relation to the social

⁵ Strange to say, during the early years of the Soviet State, gold coins were struck with the weights of the older ten-rouble pieces struck as late as 1911. The Soviet gold pieces were dated 1923 and bore the emblem of the State and a sowing peasant. There is evidence that these pieces were struck in very large quantities, but today they are very scarce. Doubtless the bulk of them were remelted.

and economic benefits of the gold piece. Modern paper money, without a connection with the precious metals, simply cannot fulfill the traditional capacity of gold coinage to function both as a medium of exchange and a store of value.

Not only does gold coinage go back to the early days of the American Republic, but it covers some twenty-seven centuries of Western Civilization. It was, in turn, antedated by an even earlier, specifically monetary use of gold, a use that can be readily documented. Thus, a mural painting from Thebes, Egypt, assigned to the reign of Thutmosis III, 1501-1447 B.C., shows the weighing of gold rings and holed disks.⁶ Details of this painting reveal the status that gold had attained as a monetary medium. The weights on the balance pan are in the form of bovine heads and sheep! This illustrates the fact that a transition had been made from an economy in which cattle were used as exchange to one in which the precious metals had taken their place, but the tradition of the cattle exchange is preserved in the

very shape of the weights. To mention a later parallel, the earlier Latin word for money, *pecunia*, developed from *pecus*, meaning "cattle." In the case of the Teutonic languages, the German word for cattle, *Vieh*, is a cognate of English *fee*.

American Indian civilizations never developed a gold coinage as did the Europeans, but gold was used as a medium of exchange in the form of quills filled with gold dust. Undoubtedly, too, the many pre-Columbian gold ornaments, often of considerable artistic merit, played some sort of monetary role.

Coinage in Ancient Greece

The very beginnings of Greek gold (or more specifically, electrum) coinage are nebulous. One type with two confronted lions' heads is actually inscribed "Alyas," a variant form of the name of King Alyattes, fourth of the Mermnad kings of Lydia, who reigned 610-561 B.C. Far more abundantly preserved, however, are the electrum pieces of various weights (1/12, 1/6 and 1/3 staters) bearing the head of a lion with a radiate knob on the forehead. The weights of these pieces are astonishingly consistent. Six specimens of the 1/3 stater preserved in the Boston Museum of Fine Arts have the narrow range

⁶ For a reproduction of this painting, see Heinrich Quiring, *Geschichte des Goldes / Die Goldenen Zeitalter in ihrer kulturellen und wirtschaftlichen Bedeutung*. Ferdinand Enke Verlag, Stuttgart, 1948, page 48. This book, by the way, is an excellent source of information on the history of the mining, refining and use of gold.

of 4.66 grams to 4.71 grams, with fractional pieces in a close proportion.⁷ Other very important early series of electrum coins were those of Kyzikos in Mysia (started before 550 B.C.), Mytilene on the island of Lesbos (ca. 500 B.C. ff.) and Phokaia in Ionia (started before 500 B.C.). These early gold series consisted of electrum, a more or less natural mixture of gold and silver, such as was mined in what is now western Turkey. Later on, more sophisticated refining methods were used to prepare the planchets. The huge gold coinages of the kings of Macedonia, Philip II (359-336 B.C.) and Alexander the Great (336-323 B.C.), are notable for the fact that they consisted of nearly pure gold, with specific gravities ranging around 19 (pure gold: 19.3 times the weight of water). By the time the autonomy of the Greek states had been extinguished by the expanding Roman Empire, no less than fifty of them had struck gold coins.

The Roman Republic and subsequently the Roman Empire had as a gold unit the *aureus*, which was first struck in quantity

around 46 B.C. At that time it had a weight of 1/40 of a Roman pound (8.19 g). Its high purity persisted but its weight gradually sank over a period of nearly four centuries.

The Solidus

The next great gold series, the solidus, got its start in the early fourth century under Constantine the Great (reigned 306-337 A.D.). The solidus was one of the most remarkable and enduring of all gold coins. Its weight and fineness were maintained with only occasional variations for over seven centuries, in spite of all the military, economic and political vicissitudes of the late Roman Empire and its continuation in the east (the "Byzantine" Empire). During this very long period the solidus had little competition in the world except for the gold of the Islamic dynasties which originally started as imitations of the Byzantine solidus during the seventh century. The Ostrogoths in Italy also imitated the solidus in great quantities during the fifth and sixth centuries, but unlike the Islamic imitations, the Ostrogothic solidi bore the name and portraits of the Byzantine emperor and can be distinguished from the Byzantine pieces only by subtle stylistic differences. So familiar was the world with the solidus that we

⁷ An excellent source for the metrological aspects of the earliest electrum coinage, including the specific gravities of many specimens, is the catalogue of the holdings of the Boston Museum of Fine Arts published by Agnes Brett in 1955.

seldom find specimens with cuts to test the authenticity of the pieces; forgeries of them were evidently rare. Hoards of them have been found as far away as Scandinavia. Although we have no exact mint records from the Byzantine Empire, the mintage of the solidus was certainly enormous. As late as about 1950, common, worn solidi could be had for as little as about \$12., not much more than twice their bullion value.⁸

After the decline of the solidus in the later medieval period it was supplanted by several important Italian, Hungarian and German series. Florence struck the fiorino d'oro (gold florin) beginning with the year 1252. It was imitated in a land with big gold mines, Hungary, in the 14th century and later. In Germany and the Netherlands, in turn, large quantities of florins were struck in the 15th

and early 16th centuries, but they declined in weight and fineness when the German gold mines began to be so badly depleted that the gold became too dear in relation to the huge supplies of silver flowing from Saxony and Bohemia. (The first large-scale coinage of the predecessor of the silver dollar was done in Saxony, 1500 ff.) The Rhenish gold florin was struck in enormous quantities in such towns as Frankfurt, Cologne, Nuremberg and Utrecht. A quarter million of them were struck in 1418 in Frankfurt alone and Basel struck 126,020 during the years 1434-5.

The Gold Ducat

On 31 October, 1284, the Maggior Consiglio of Venice decided to mint the gold ducat, one of the most important gold coins of all times. It is still being struck from dies dated 1915 in the Vienna Mint nearly 700 years later. In Venice itself, the ducat was struck with the same design (St. Mark and Doge) down to the end of the 18th century. The ducat weight and fineness became a favorite in Germany, the Netherlands, Poland, Scandinavia and Russia. It was even crudely imitated as far away as India, where the Venetian originals were also in use.

England, France, Spain and Portugal had many gold coinages

⁸ To illustrate the constancy of the solidus, specimens in the author's collection weigh as follows: A solidus struck in Milan under Honorius (395-423 A.D.) weighs 4.47 grams with a specific gravity of about 18. A lightly circulated specimen of Constantine VIII (1025-1028) with an inspiring portrait of Christ weighs 4.37 grams with a specific gravity of a bit less than 19, nearly pure gold. In the subsequent decades the weight and fineness of the solidus declined sharply, but Byzantine gold coinage persisted into the 14th century. For a detailed analysis of the debasement of the solidus in the eleventh century, see *Byzantinische Zeitschrift*, 1954, pp. 379-394.

in the later middle ages, but they were of great variety. An outstandingly successful English coin of the late medieval period was the noble, which was imitated to some extent in the Netherlands, but the English and French kings changed their standards too often to establish gold coins of the great success and influence of the solidus and the ducat. The Spanish exploitation of the large deposits in Mexico, Bolivia and Peru resulted in the huge escudo coinage of the 16th to 19th centuries. Its multiple of eight is familiar to us as the doubloon.

As noted above, the gold coinage of the United States was started in 1795, with a modest weight decrease in 1834, after which U.S. gold coinage was continued for almost exactly a century on the same standard. About 3/4 of the enormous U.S. gold coinage was in the form of double eagles (1850 ff.).

The Latin Monetary Union

In France a new gold coinage was introduced in 1803 that continued to be of great importance until 1914. Denominations of 5, 10, 20, 40, 50 and 100 franc pieces were struck at various times but the most important was the 20 franc piece. The French standard was copied in Italy, Switzerland, Belgium, Spain,

Greece, Serbia, Bulgaria, Romania and other lands, in some cases with different names. Some gold coinage on the franc standard continued even after World War I, especially in Switzerland. In recent years the French government has struck considerable quantities of gold using dies with older dates. The prosperous German Empire struck large quantities of gold on the mark standard (1871-1915), while the huge English sovereign coinage (1816 ff.) still dominates the trade in coined gold.

India had a long tradition of monetary gold use before the establishment of the present Republic of India with its socialistic orientation and hence hostility to private ownership of gold. Gold coinage of the European type was introduced to India no later than the time when the Bactrian Empire struck gold in a quite Greek form and with Greek inscriptions (ca. 250 B.C. ff.). Later on there were other very important Indian gold series. The Kushan gold coins were fairly close imitations of the Roman aureus, many hoards of which have also been found in India. The very abundant Kushan gold coinage was at first of high purity, like the Roman aureus, and it is even assumed that the planchets for it were prepared from remelted Roman gold. Dur-

ing the first and second centuries the Roman Empire had a severe balance of trade problem with India because of the commerce in spices, gems and other Indian goods desired by the luxury-loving Romans.

Debasement in India

With the decline of the Kushan Empire its gold coinage became severely debased, especially after about 200 A.D. After about 320 A.D. the Gupta kings also continued gold coinage in important quantities. After the decline of the Gupta realm, i.e., after about 450 A.D., a number of Hindu dynasties continued gold coinage. The famous uninscribed and enigmatic elephant pagodas of perhaps about 1300 and later are now believed to be the private products of Indian goldsmiths. In the north the Islamic rulers (the Sultans of Delhi and subsequently the Mughal Emperors) struck gold in large quantities. In the south, the Hindu Vijayanagar Empire struck large amounts of a very neat gold coinage between 1377 A.D. and the disastrous Battle of Tallikota in 1565. Beginning with the 16th century, various European powers struck gold series for their territories in India; the Portuguese, the Dutch, the French, the Danes and especially the British, who first imitated the trusted gold

coinage of the moribund Mughal Empire before striking gold in the European style.

In Japan, which has gold mines that have been worked since medieval times, gold was used in the form of oval plates punched with various devices. During the 19th century base gold rectangles were produced in considerable quantities. Just as the Meiji Era brought so many other changes to Japan, its earliest years saw the introduction of a very beautiful gold coinage of occidental style based on the U.S. gold denominations. So highly prized are 20 yen pieces of 1870 (46,139 struck) that they fetch over one million yen today. With the exception of a few gold issues in this century, China has virtually no tradition of the coining of gold, although it has been prized for artistic uses for many centuries in China.

3000 Years of Gold

I have surveyed the history of gold coinage in some detail here in order to show what a great economic role it has played in nearly every civilization (with the notable exception of the Chinese). European traditions of the monetary use of gold can be traced back for nearly three millenia in the form of gold coins alone.

The decline of gold coinage we have witnessed during the last

three to five decades⁹ thus represents a radical departure in monetary affairs. The coining of gold had hitherto been interrupted only sporadically by attempts to substitute other media for the precious metals.

It is undeniably true that many modern economists harbor a strong bias against the monetary use of gold. This bias is by no means difficult to explain, since these economists are the ones who see the most important role for themselves in governments which intervene strongly in the economy. Gold strongly restricts governmental intervention in the economy and the redistribution of wealth from the productive to the non-productive components of the population. Perhaps to some extent, too, the bias against the monetary use of gold is simply based on ignorance about the present and past monetary roles of gold. After all, a new generation has come onto the scene since 1934.

We appreciate the role of gold as an honest, constructive mone-

tary medium when we consider the nature of its enemies. Keynes, whom Lenin lauded before the Second Congress of the Communist International, considered gold a barbarous relic. Typically, the people who are shouting most loudly that gold is a barbarous relic are the very ones who are most adamant in their demands to suppress the monetary use of gold by force. (Who, really, are the barbarians?) These "experts" must know full well just how powerful gold is in spite of their public denials that it should play a role in the monetary system and in spite of their claims that it is worthless except for filling teeth and the like.

Private Coinage

When governments have refused or have been unable to strike gold coins in sufficient quantities for commerce, private persons have provided gold coins in many instances. We need only think of the many private gold coinages in the United States alone: the Bechtler gold pieces struck in North Carolina in the 1830s and later, in addition to the massive amounts of gold struck privately in California in the 1850s and later. There have also been many private gold series in India and Germany, for example. A large private striking of gold on the ducat standard has taken place in

⁹ The coining of gold has by no means ceased altogether, even in the case of governmental mints. During the last 10 to 15 years or so the following governments have struck gold in quantity: Austria, Republic of China, Dominican Republic, Egypt, France, Great Britain, Katanga, Mexico, Persia, Peru, South Africa, Spain and Turkey. In some cases older dies were used. Many other lands have also struck gold in token quantities.

Germany during the last two decades. In addition, many forgeries of well-known gold types with full or nearly full weight and fineness have been made in large quantities in recent decades. The American double eagle, the British sovereign and the 20 franc piece have been favorite forms of the counterfeiters, whose activities have flourished on a vast scale in recent years because of the need for gold coinage and the failure of public mints to perform their traditional duties of providing gold in convenient form.

Because of the strong biases of many economists against the monetary use of gold, a number of myths and erroneous conceptions have grown up about gold coinage. Even some libertarian economists are lacking in sufficient knowledge about the history of gold coinage to refute the nonsense that is often deliberately propagated.

It is an error to assume that all gold coinages were constantly being eroded in value by debasement and weight reductions. Indeed, the really important gold series were struck over long periods of time, in some instances for many centuries, without substantial reductions. One need only think of the solidus, the ducat, the escudo and the vast gold coinages of the nineteenth century; the sovereign,

the double eagle and the napoleon.

It is also an error to assume that the frauds committed in connection with gold coins were of very great importance. Sometimes coins were filed or sweated (friction in bags in which the gold dust was collected) and sometimes test cuts were made by which a small amount of gold was removed. However, such frauds could readily be detected by gold scales. Forgeries existed and there were printed descriptions of them as early as the 15th century. Still, such frauds are quite insignificant compared to the vast frauds carried out in connection with paper money, which is cheaper to counterfeit than gold coins. Of vastly greater importance, of course, is the fraud carried out against productive citizens by governments themselves which refuse to coin precious metals and keep issuing ever greater quantities of paper money.

It is still another error to assume that gold is the ally only of the wealthy. In this age of complicated tax laws and deceptive monetary policies it is the wealthy who can afford the best advice on taxes and investments. For the saver of modest means, a little hoard of gold and silver has often proved to be the best protection against confiscation of his savings by devaluations of currency.

There's Plenty of Gold

The argument that there is "no longer enough gold for monetary purposes" is one of the more absurd arguments that has been made against the return to the monetary use of gold. The United States could start minting gold again within the very short time required to prepare the dies. Plenty of gold could be delivered to the mints from the mines now kept idle by governmental restrictions. Any seigniorage charged should not exceed the actual minting costs. As to the relation of the new gold coins to the huge heaps of paper money now in circulation, the problem could be easily circumvented simply by omitting any designation of value on the coins and employing the familiar weights and fineness of the quarter eagles, half eagles, eagles and double eagles. The double eagles, for example, might bear the inscription "516 GRAINS, 900 FINE" instead of the erstwhile "TWENTY DOLLARS." As in previous generations, the deliverers of gold to be minted would be charged a small fee for minting costs and the gold pieces would be theirs to keep or put into commerce.

Striking gold coins without any designations of value on them is a procedure that was not only used in previous centuries, but also in recent decades. Consider the fol-

lowing examples: Beginning in 1921, Mexico had struck gold pieces somewhat larger than the U.S. double eagle. The Mexican pieces are known as the "centenario" because they originally commemorated the centennial of the Republic. For years these pieces were struck in large quantities with the designation of *50 Pesos*. By 1943, however, the designation had become meaningless because of the considerable depreciation of the value of the Mexican paper and silver currency. In 1943 the centenario appeared without the usual inscription of *50 Pesos* but with an inscription describing the weight and fineness, the really important factors. There are many variations on the procedure. Great Britain, for example, struck over 30 million sovereigns between 1957 and 1966 for overseas trade. These continued to bear no designation of value, just as all modern sovereigns (since 1816) had borne none.

Market Sets the Value

If the government were to resume the striking of gold pieces, as it should without delay, it would be easy to determine what designation of value, if any, were to be put on them after supply and demand had established a price in terms of other media. For purely

monetary purposes, however, no designation of value would really be necessary, since gold coins need no legal tender status to work well, both as a medium of exchange and as a store of value.

The lessons of monetary history are clear. Without the resumption of gold coinage or at least a free commerce in all of the precious metals, including especially gold, inflation will go on and on and on. Even just the tolerance of a free gold market would inhibit inflation by providing a constant gauge of the value of other monetary media.

Those being hurt by inflation should bear the following in mind: The reason that governments with a redistributive economic philosophy frown on gold coins is because of the fact that inflation is a big aid if not, indeed, an essential factor in the redistributive process. If those persons in government circles who are talking about "fighting inflation" were at all sincere, they would immediately remove all restrictions on the mining and monetary use of gold and resume a governmental function which had been taken for granted for literally thousands of years in western thought, the striking of gold coins with an established weight and fineness.

Those being hurt by inflation

have a powerful weapon at their disposal if they would only realize it and act accordingly. They could refuse to buy all bonds, public or private, that did not contain gold clauses. While it is true that gold obligations have been repudiated in the past,¹⁰ the constant demand for gold obligations would undoubtedly have an influence on national monetary policies. Restoration of the right to own gold and make contracts in terms of gold would be a major step toward restoration of the basic principle of economic freedom, a freedom no less sacred than other freedoms. The restoration of our traditional rights with regard to gold should be vigorously supported by all those who prize economic freedom and abhor the emptiness, stagnation, decay and oppression of the omnipotent socialistic state. ☉

¹⁰ But not without a loss of face. The refusal of the United States to redeem gold bonds after 1934 was perhaps the greatest breach of faith that had been committed by it as of then. The exact wording of these bonds is significant. Gold bonds dated May 9, 1918, for example, contain the following clause: "The principal and interest hereof are payable in United States gold coin of the present standard of value." Although the bankruptcy of an individual may be, in a technical legal sense, different from the bankruptcy of a nation, the failure to redeem national obligations in precious metals has always been an act parallel to the bankruptcy or dishonesty of an individual.

CAUSE AND EFFECT

IN ANY specific community during any specific period of time, the weather, the water supply, the schools, the customs, the language, the government, and various other environmental factors are nearly identical for all persons. In such similar influences and surroundings it would be reasonable to expect the lives of the people to be as similar as sardines. But they are not. It is easy to observe that the lives of some men and women are marred by hatred, scorn, envy, fights, and even murder while others live quiet, respectful, honorable, peaceful lives in the same vicinity.

This startling contrast makes it evident that some individuals are able to achieve a high degree of self-improvement while others have little success.

The men and women who usually fail in their self-improvement see no rhyme or reason in the events that take place in their lives. As they see it, life is a series of gambles. If something goes wrong, it was an accident; if something turns out all right, it was pure luck.

Those who are successful in their self-improvement have learned that opportunities are a product of cause and effect—chance plays no part. Favorable opportunities are produced by the use of good methods and hard work.

Cause and effect run through the entire gamut of human experiences, from one's smallest pleasure to his biggest problem. In order to find the happiness we seek in life, it is beneficial to understand the role of cause and effect. It is my purpose to examine the relationship between cause and effect, self-improvement and free-

Mr. Yankus moved to Australia from Michigan in protest against government intervention in agriculture, but knows that it is not a sufficient purpose for his life.

dom. Let me begin with these two premises: (1) Cause and effect operate in the universe. (2) Self-improvement is the most effective means of creating freedom.

A farmer near Crystal Brook, South Australia said, "I will pay a reward of two dollars to anyone who can tell me something that happened without a cause." The reward money attracted many wild guesses from people who were eager to get an easy dollar from this farmer. But none of the answers were valid.

After some thought, most people will concede that everything has a cause, but the thought of having to accept responsibility for all of their troubles produces fear. So the concession is hedged: "Yes, but I am not in complete control of all the causes that produce troubles in my life. It is not my fault that other people injure me, lie to me, and cheat me in various ways. Furthermore, my freedom is curtailed by a socialistic government over which I have no control."

Put Yourself in Charge

Assume for a moment that you were in charge of the planet, Earth, and it was up to you to arrange the scheme of things. No doubt, you would want to arrange the affairs of this world so no one could write you a letter of

complaint. The only way you could avoid all complaints is by establishing perfect justice. What is justice except to give to each person exactly what he deserves? The means of accomplishing justice would be to have cause and effect operate in all things: good for good, bad for bad, no work — no pay. In spite of appearances to the contrary, that is how I perceive the world to be arranged. Our perception of how the world is arranged is very important because almost all of our actions relate to it.

One of my good friends believes that all diseases are caused by harmful living habits and wrong eating instead of contagious germs. To prove his belief in cause and effect to an acquaintance, he said: "Do you think that God gets up in the morning yawning, stretching and saying, 'Gee whiz, I slept badly last night and I am not in a good mood this morning. So I think I will show the people on earth some of my mighty power. I'll give Jack diabetes, I'll give Tom polio, I'll give Robert rheumatism, I'll give Henry a heart attack, and I'll give Sam cancer.' Or do you think that God established perfect laws of cause and effect which work unflinchingly and justly at all times and to all people on this earth?" Without hesitation, the acquaintance decided that

cause and effect operated in the universe. The Bible explains cause and effect in this way: "Be not deceived; God is not mocked: for whatsoever a man soweth, that shall he also reap." (Galatians 6:7)

Freedom Not for Sale

Do you really want freedom? Your sincere and eager reply may be, "Yes, of course. Give it to me." But is that possible? Let us investigate the means of getting any and every fragment of self-improvement we possess. Suppose you want to learn how to speak a foreign language, or learn how to build a modern home, or learn how to repair a radio, or learn any other skill. Can you go into a retail store and buy these skills for a thousand dollars, or can your parents or anyone else who loves you give these skills to you as a gift, or can the senators and representatives in government enrich your life with these skills by passing laws, or could you side-step all the hard work and steal these skills on some dark night? Of course, you cannot.

Isn't it magnificent the way the Creator arranged the scheme of things so no one could cheat on his or her self-improvement! You get nothing for nothing; you only get exactly what you deserve as a reward for your personal effort. This is proof that cause and effect

operate in the acquisition of all self-improvement. And since freedom is obtained by self-improvement, it becomes clear that freedom has to be earned by each individual who wants freedom. Let it be emphasized that freedom is an individual affair in self-improvement which can begin right now. Those who wait until the next election to increase freedom, wait in vain. It is a vain hope to believe that freedom can be established in a nation by benevolent statesmen for the perpetual enjoyment of all. If that were possible, it would already have been done a long time ago.

Freedom has never been obtained by the use of an excuse. Many individuals will admit the importance of freedom but they use this excuse: "It is a full time job for me to support my family. I haven't got the time or energy to worry about freedom." Fair enough. However, these individuals do admit they have enough time to earn a living. If each family practiced the virtue of self-improvement by being self-supporting, it would free more slaves than the Civil War between the States. What is more, no war would have to be fought. To find out who the slaves are, let us trace cause and effect. When a farmer or anyone else accepts government subsidies, medical aid, wel-

fare, or whatever, he causes a taxpayer to earn part of his living for him. The effect of forcing a taxpayer to work without compensation is slavery by taxation.

The Pain of Slavery

There are many men and women who believe that the socialistic idea of slavery by taxation is the ideal arrangement. How can we tell who is right? The answer is revealed by cause and effect. The effect of harmful causes is painful. A Spanish proverb says: "God comes to us without a bell." Pain is the silent language used by Creation to tell us we are acting wrongly. There can be no dispute that slavery is a painful arrangement; consequently, the socialistic idea of slavery by taxation is not in harmony with Nature's laws.

Time and time again men have turned to government to secure their safety and protection by passing laws. Recently the government of South Australia passed a law to protect car drivers from being killed. The law requires car drivers to wear seat belts; but since the law has been in effect, the number of deaths due to car crashes has increased. The government Minister of Transport is sincerely puzzled why the law failed to achieve its objective.

Never before in the history of the world have there been more

laws in effect than at present. As more and more government laws are enacted each year, it would be logical to expect the government protection to get better. Instead, the daily newspapers report the sad stories of an increasing number of individuals who are being harmed and killed.

The government laws have failed to furnish protection because almost all of these laws fail to harmonize with Nature's laws. In any contest for supremacy, Nature's laws of cause and effect will always prevail over government laws.

After school hours, I delivered newspapers to earn some money when I was a boy in Chicago. One cold winter day when it was snowing, three older boys knocked me down in the snow and stole the money I had collected from my newspaper customers. This bitter experience taught me to take more precautions for my safety. Actually, no one else is as deeply concerned with your protection as you are. You have everything to gain by making protection a do-it-yourself project because the only genuine protection you have in this world is self-improvement. Once you grasp the fact that bad effects are never produced by good causes, the secret of obtaining protection is yours. The good that you do will return to you like an Australian boomerang.

**Each Experiences the Consequences
of His Actions**

Cause and effect operate in the universe — what does that actually mean? It means that everything that goes wrong in my life is my own fault. It means that every complaint I have made against others is my fault. Accepting such a heavy burden of faults is not as terrible as it seems. It is really beneficial. If the faults were all caused by other people, my safety and protection would be out of my control. Since the faults are mine, I have the wonderful opportunity of practicing every virtue I can think of to increase my self-improvement. “And who is he that will harm you, if ye be followers of that which is good?” (I Peter 3:13)

The men and women who pursue the ideas of freedom enthusiastically are often hampered and frustrated by all sorts of socialistic controls. Under such conditions it is easy to develop an intense hatred toward socialists in order to “get even” with them. However, hatred is a harmful indulgence because it destroys self-improvement. Since freedom and self-improvement go hand in hand, freeing ourselves of hatred increases our freedom — we are not tied to our enemies.

Here is my homemade recipe for

getting rid of hatred: Whenever someone harms us in some way and we are incapable of punishing the offender, we react to the injustice by hating the offender. Hatred is a vote of “no confidence” in Creation. The invisible forces in the universe which are capable of spinning the stars and planets through space are also capable of seeing that justice is done through cause and effect. Our help is not needed by Creation in this particular task, even though it may hurt our vanity to have our aid rejected. All that is required of us to get rid of hatred is the understanding that cause and effect are at work in every human situation — nothing is forgotten, nothing is forgiven, nothing is concealed.

If you are very skeptical and you want convincing proof that cause and effect will punish the socialistic offenders for their errors, try this experiment at your own risk. Insult the first ten people you meet today. Now that you have produced ten causes — ten angry people — make a brave attempt to escape the effects. Cause and effect always gets its man! You won't be able to escape the penalty for your misdeeds; neither will the socialists be able to escape the punishment they deserve. Your hatred will be totally unnecessary. 

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

14

Freeing the
Individual

SCRIBES are quite often merciless tyrants in dealing with characters out of the past, spearing them with an assortment of verbs and freezing them in predetermined categories with their adjectives, much as a butterfly collector does with his helpless insects. There is no surer way to shatter the integrity of an individual or to distort a historical epoch than by the indiscriminate use of categories. No man of wit is likely to believe that a category comprehends him, even when it is well chosen. But when categories drawn from other times and places are imposed upon men and events which are foreign to them, the result can only be to confuse the subject under discussion.

Some twentieth-century historians have done just this to American history of the late eighteenth century. They have called Americans of the time by names, some of which were unknown to them and others which they would have disavowed; they have categorized them as revolutionaries or reactionaries, democrats or aristocrats, nationalists or state's righters, liberals or conservatives, and other such categories. They have tried to thrust the events into

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revolutionary and "social" revolutionary categories, categories drawn from other revolutions and other circumstances. It is a journalistic habit into which many historians have fallen to attribute an absoluteness to the views and thrusts of men which violates both what they intend and do. Debates, even great historical debates, can be quite misleading. Men often advance positions with more certainty than they feel, appear to be unalterable in their determination, yet may shortly yield to the other side with good humor when they have lost. Some historians appear to have no difficulty whatever in discovering men's motives, but the fact is that we are not privy to their motives.

The subject to be treated below is the reforms and innovations made by Americans mostly in the decade after the declaring of independence. The above prelude was made necessary because the present writer both wishes to make known the fact that he is familiar with the cross currents of interpretation of these years by twentieth century historians and to disavow many of the categories that have been used. After the Americans broke from England they did make some changes; they did sometimes differ among themselves as to what the direction of change should be; but there is no

need to question their motives or any solid basis for saying for certain what they were. Above all, there is no need to push this one into that category and that one into this, with the category being excessively large for the matter at issue and much too confining for the man over any period of time. More rubbish has been written about the class positions and interests of the men of these times than any other in American history, so far as I can make out. The present writer has neither the space nor inclination to spend energy upon trying to refute what has not been well established, in any case.

The Main Thrust of Changes

What is established is that there were some changes made during these years. The main thrust of these changes is the freeing of the individual: freeing him from foreign domination, from various government compulsions, from class prescriptions, and for greater control of his own affairs. And, in conjunction with these, there was an effort to erect safeguards around him that would protect him in the exercise of his rights. The thrust to do these things was made along several different paths, and each of these is worth some attention.

A primary aim of the Ameri-

cans was independence. They wanted to be independent of England, of course; that was what the war was fought about. Many Americans had come to believe that they could only have the requisite control of their affairs by separating from the mother country. This was achieved, of course, by terms of the Treaty of Paris. But Americans longed also to be independent of European entanglements. Time after time, during the colonial period, Americans had been drawn into wars that originated in Europe but spread to the New World. Americans wanted to be free of the dynastic quarrels, the imperial ambitions, and the trade wars which rended Europe and shook much of the rest of the world. To many Americans, Europe was the symbol and embodiment of corruption, decadence, and foreclosed opportunity. To be independent of Europe was, in the final analysis, to be free to follow courses which had not yet, at any rate, proven to be so laden with disaster.

Independence did not mean, nor should it be taken to connote, the rejection of either the English or European heritage. Indeed, there was little irrational rejection of either heritage that comes to mind. Though Americans rejected European aristocracy they did not, for that reason, change names of

places in this country derived from aristocrats.

Perhaps, the most extensive thrust of this period was to the freeing of the individual from government compulsion. Libertarian sentiment had been maturing for some considerable while in America; it was fostered both by legal trends and religious and other intellectual development. Once the break from England came, Americans used the occasion to cut away a body of restraints no longer in accord with their outlook.

Religious Liberty

Religious liberty was widely secured within a decade or so of the break from England. Much of it came by way of the disestablishment of churches. The establishment most readily dispensed with was that of the Church of England. While the Church of England was established throughout the South as well as in New York, it was not very popular; many of its clergy remained loyal to England, and adherents of it were outnumbered by dissenters in most states. Its disestablishment was made even easier because it was a national church; membership in it was tied to loyalty to the king of England. The Church of England was everywhere speedily disestablished. But these actions were not

simply prompted by convenience, for there was increasing belief in religious liberty. Several states had no established churches: namely, New Jersey, Rhode Island, Pennsylvania, and Delaware. But they used the opportunity afforded by independence to remove or reduce restrictions. Some of the disabilities of Roman Catholics were cut away.

The established Congregational church was maintained for several decades longer in Massachusetts, Connecticut, and New Hampshire. There was, however, some liberalization in these states. The Massachusetts constitution of 1780 affirmed that every man had the right to worship in his own way, that no church should be subordinated to any other, and that tax moneys could be used to support ministers other than Congregationalists. However, church attendance was required still, and ministers were supported from taxes.¹ "New Hampshire followed in the steps of Massachusetts, but Connecticut held out much longer against what its citizens regarded as the forces of iniquity. They allowed dissenters to escape payment of taxes to the established church if they presented the clerk of the local church with a certificate of church attendance signed by an officer of the dissenter's own church."²

The constitutions of New Jersey, Georgia, North and South Carolina, Delaware, and Pennsylvania "explicitly provided that no man should be obliged to pay any church rate or attend any religious service save according to his own free and unhampered will."³ But Virginia made the greatest effort to assure religious liberty. This might have been a reaction to the fact that Virginia had the longest establishment and one of the most rigorous. Thomas Jefferson, James Madison, and George Mason were leading advocates of religious liberty, but they did not succeed in getting their ideas into law until 1786. This was done by the Virginia Statute of Religious Freedom, which proclaimed religious liberty a natural right. An impressive preface states the case:

Whereas, Almighty God hath created the mind free; that all attempts to influence it by temporal punishments or burthens, or by civil incapacitations, tend only to beget habits of hypocrisy and meanness, and are a departure from the plan of the Holy author of our religion. . . .

The legally effective portion of the statute reads this way:

That no man shall be compelled to frequent or support any religious worship, place, or ministry whatsoever, nor shall be enforced, restrained, molested, or burthened in his body or

goods, nor shall otherwise suffer on account of his religious opinions or beliefs; but that all men shall be free to profess, and by argument to maintain, their opinion in matters of religion, and that the same shall in no wise diminish, enlarge, or affect their civil capacities.⁴

This was the beginning of religious liberty in America.

Freeing the Slaves

The movement for freeing the slaves reached a peak in the 1780's which it would not soon attain again. Even before the break from England, the slave trade was acquiring a bad reputation in America, but such efforts as were made to restrict it were negated by the mother country. Fiske says, "The success of the American Revolution made it possible for the different states to take measures for the gradual abolition of slavery and the immediate abolition of the foreign slave-trade."⁵ Nor was sentiment against slavery restricted to states in which there were few slaves. Some of the outstanding leaders from the South during this period, most of them slaveholders, spoke out against slavery. Henry Laurens, a leader in South Carolina, wrote in 1776: "You know my Dear Sir, I abhor slavery . . . — in former days there was no combatting the prejudices of Men supported by Interest, the

day I hope is approaching when from principles of gratitude as well [as] justice every Man will strive to be foremost in shewing his readiness to comply with the Golden Rule. . . ."⁶ Thomas Jefferson argued in his *Notes on the State of Virginia* that slavery had a bad influence on the manners and morals of the white people as well as its devastating effects on the Negroes. He longed for and hoped to see the day when all slaves would be emancipated. He warned his countrymen of the impending impact on them if this were not done: "And can the liberties of a nation be thought secure when we have removed their only firm basis, a conviction in the minds of the people that these liberties are the gift of God? That they are not to be violated but with his wrath? Indeed I tremble for my country," he said, "when I reflect that God is just; that his justice cannot sleep forever. . . ."⁷

Some states began to act almost as soon as the opportunity arose. In 1776, Delaware prohibited the importation of slaves and removed all restraints on their manumission. Virginia stopped slave imports in 1778; Maryland adopted a similar measure in 1783. Both states now allowed manumission at the behest of the owner. In 1780, Pennsylvania not only prohibited further importation of

slaves but also provided that after that date all children born of slaves should be free. Similar enactments were made in the early 1780's in New Hampshire, Connecticut, and Rhode Island. In Massachusetts, the supreme court decided that on the basis of the constitution of 1780 slavery was abolished in that province. Even North Carolina moved to discourage the slave trade in 1786 by taxing heavily such slaves as were imported after that time. In order to protect free Negroes, Virginia made it a crime punishable by death for anyone found guilty of selling a freed Negro into slavery.⁸

How far sentiment against slavery had gone may well be best indicated by the Northwest Ordinance (1787), an act of all the states, as it were, in Congress assembled. The act provided: "There shall be neither slavery nor involuntary servitude in the said territory, otherwise than in the punishment of crimes, whereof the party shall have been duly convicted. . . ." This article was passed, according to one of its proponents, without opposition.⁹

Individual Liberties

The bills of rights drawn and adopted in the various states contained provisions intended to assure individual liberties. These bills of rights were usually drawn

and adopted along with constitutions but were frequently separate documents. They were usually cast in the language of natural rights theory. For example, Article I of the Massachusetts Declaration of Rights states:

All men are born free and equal, and have certain natural, essential, and unalienable rights; among which may be reckoned the right of enjoying and defending their lives and liberties; that of acquiring, possessing, and protecting property; in fine, that of seeking and obtaining their safety and happiness.¹⁰

Virginia was the first state to draw both a constitution and a bill of rights. Actually, Virginia's Bill of Rights was adopted June 12, 1776, while the would-be state was still a colony. It was the work primarily of George Mason, was circulated among the states, and became a model for such instruments.

The Virginia Bill of Rights guaranteed trial by jury in both criminal and civil cases, prohibited excessive bail and fines, declared general warrants to be oppressive, and acknowledged freedom of the press. The protections of a person accused of a crime were spelled out:

That in all capital or criminal prosecutions a man hath a right to demand the cause and nature of his accusation, to be confronted with the

accusers and witnesses, to call for evidence in his favour, and to a speedy trial by an impartial jury of his vicinage, without whose unanimous consent he cannot be found guilty, nor can he be compelled to give evidence against himself; that no man may be deprived of his liberty, except by the law of the land or the judgment of his peers.

The only specific protection of property, other than the provision for jury trial in civil cases, was the requirement that men "cannot be taxed or deprived of their property for publick uses, without their own consent, or that of their representatives so elected. . . ."¹¹

The Massachusetts Declaration of Rights of 1780, the work mainly of John Adams, was considerably more thorough. In regard to property, it said: "No part of the property of any individual can, with justice, be taken from him, or applied to public uses, without his consent, or that of the representative body of the people. . . . And whenever the public exigencies require that the property of any individual should be appropriated to public uses, he shall receive a reasonable compensation therefor."¹² Other rights were alluded to than those mentioned in the Virginia Bill: freedom from unreasonable searches, the right to bear arms, the right of peaceful assembly, the prohibition of

ex post facto laws, the prohibition of attainders by the legislature, as well as most of those covered in Virginia.

Northwest Ordinance

The Northwest Ordinance sums up, in Article II, what may well be considered a contemporary consensus of the protections of the rights of the people most needed:

The inhabitants of the said territory shall always be entitled to the benefits of the writs of *habeas corpus*, and of the trial by jury; of a proportionate representation of the people in the legislature, and judicial proceedings according to the course of the common law. All persons shall be bailable, unless for capital offences, where the proof shall be evident, or the presumption great. All fines shall be moderate; and no cruel or unusual punishment shall be inflicted. No man shall be deprived of his liberty or property, but by the judgment of his peers, or the law of the land, and should the public exigencies make it necessary, for the common preservation, to take any person's property, or to demand his particular services, full compensation shall be made for the same. And, in the just preservation of rights and property, it is understood and declared, that no law ought ever to be made to have force in the said territory, that shall in any manner whatever, interfere or affect private contracts, or engagements, *bona fide*, and without fraud previously formed.¹³

Some recent writers have claimed that the Founders distinguished between "human rights" and property rights in favor of "human rights." It should be clear from the above that no such distinction can be discerned, nor has the present writer ever seen a quotation from the original that could reasonably be construed to show that the Founders made any such distinction.

Property was, however, freed from various feudal restraints during this period and made more fully the possession of the individual holding title to it. The most general encumbrance on property ownership was the quitrent—a periodical payment due to king or proprietor on land, a payment that originated in the late Middle Ages as money payments displaced personal servitude. Such claims were speedily extinguished following the break from England, and land thereafter was held in "fee simple." Such royal prerogatives as the right of the monarch to white pines on private land were, of course, nullified. States abolished entail, also, a move which enhanced the authority of the owner to dispose of his lands.

With the Declaration of Independence, the whole edifice of mercantilism as imposed from England was swept away. One historian describes the impact of

this as follows: "As a result of the American Revolution, freedom of enterprise, that is, the equal opportunity of any individual to engage in any economic activity he chooses in order to amass wealth, and to hold onto his wealth or dispose of it as he pleases, became a living reality in America to a greater degree than before."¹⁴

Abolition of Classes

Another sort of innovation may be described as anti-class in its character. Fixed classes are supported and maintained by government where they exist. Americans of this period wanted to remove government support of classes and prevent the growth of special privileges by which classes are shaped. Some of the actions already described were, in part, anti-class measures. For example, the established Church of England was hierarchical and, in England particularly, a major support of class arrangements. Its disestablishment in America struck at the root of government support of class structures. Entailment was a means of perpetuating great estates, just as quitrents were devices for maintaining aristocracies. Other actions were taken that were even more pointedly aimed at removing government from its role as class perpetuator.

One of these was the abolition

of primogeniture. Primogeniture was the rule that the estate of one who died without a will should go either whole or in larger part to the eldest son. States abolished this rule and adopted the practice of dividing the estate equally among the children when the father died intestate. The tendency of this was for great estates to be broken up from time to time.

Various sorts of provisions were made in state constitutions to prevent the growth of aristocratic privileges. For example, the Virginia Bill of Rights had this provision:

That no man or set or men, are entitled to exclusive or separate emoluments or privileges from the community, but in consideration of publick services; which, not being descendible, neither ought the offices of magistrate, legislator or judge to be hereditary.¹⁵

The Massachusetts Declaration held:

No man, nor corporation, or association of men, have any other title to obtain advantages, or particular and exclusive privileges, distinct from those of the community, than what arises from the consideration of services rendered to the public; and this title being in nature neither hereditary, nor transmissible to children, or descendants, or relations by blood; the idea of a man born a magistrate, lawgiver, or judge, is absurd and unnatural.¹⁶

The animus against titles of nobility found expression sometimes. So strong was the animus against hereditary positions that the Society of Cincinnati, a voluntary association of officers who had served in the War for Independence, found it expedient to abandon the rule that membership could be inherited to allay the indignation against them. Frequent elections and restrictions on the amount of time one could serve in office were efforts to prevent the emergence of a ruling class, at least in part.

The kind of equality sought by prohibitions against governmentally fostered classes was equality before the law. So far as any other equality was concerned, American opinion of the time accepted differences in wealth and social station as inevitable and desirable results of differences in ability and effort. Undoubtedly, there were those in that day who would have liked to have some portions of the wealth and estates of others — who coveted what was not theirs — as there are in any day, but they were either inarticulate or ashamed to profess their views. Some historians have made much ado about the confiscation and sale of Loyalist estates during the war. This is treated as if it were a redistributionist scheme, and there is an attempt to give factual support to this notion by

pointing out that large estates were sometimes broken up before they were offered for sale. This did sometimes happen, but it does not follow that it was done with any motive of equalizing holdings. Small parcels attract more bidders than large ones; hence, the price attained for large estates was likely to be increased by dividing them up. Moreover, large estates were sometimes formed or added to by buying several parcels.¹⁷

Limitations on Government

There were some general changes in governments during this period, changes in degree from what they had been under British rule. The main tendency was to make the state governments more dependent upon the popular will than they had been during the colonial period. The new state constitutions required that all state officers either be chosen by the electorate or appointed by those who had.

The main impetus behind making governments depend more closely on the electorate was a profound fear of government. This distrust of government was most clearly shown in the distrust of governors and courts, those parts of the government that had not been popularly chosen during the colonial period. The colonists feared the legislatures, too, or so

the limitations on them would indicate, but out of their colonial experience, they feared them less than the other branches. In point of fact, Americans relied rather heavily on a narrow and provincial colonial experience in making their first constitutions. Probably, Massachusetts and New York should be excepted from these strictures.

The office of governor — or whatever the executive might be called, for some states abandoned briefly that colonial title — was stripped of much of the power and most of the independence enjoyed by colonial chief executives. Colonial governors had usually possessed an absolute veto over legislation. The new executives were stripped of the veto power in all but two of the states — Massachusetts and New York —, and in these the power was somewhat weakened. In all the states but New York the legislatures or the constitutions governed the assembling and dispersal of the legislative branch. In eight of the states, the chief executive was elected by the legislature, and he was made, thereby, greatly dependent upon it. His tenure of office was usually quite brief. In nine states, it was only twelve months, and nowhere was it for a longer period than three years. To prevent the growth of personal power in the hands of

the governor, most state constitutions limited the number of terms he could serve in a given period.¹⁸

Courts and Legislatures

The courts generally were made more dependent on legislatures than they had been formerly. The Pennsylvania constitution described the relationship this way: "The judges of the supreme court of judicature shall have fixed salaries, be commissioned for seven years only, though capable of reappointment at the end of that term, but removable for misbehavior at any time by the general assembly. . . ."¹⁹ Even so, the principle of separation of powers generally prevailed as between the courts and the legislature more fully than between governors and legislatures.

The legislatures were subject to frequent elections, a device for making them closely dependent upon the electorate. In ten of the states the lower house was subject to annual elections; in two states their terms were only for six months. The members of the upper house usually had somewhat longer terms, but one state did not even have an upper house.²⁰ Even so, the powers of the legislatures were quite extensive. Thomas Jefferson complained that in Virginia:

All the powers of government, legislative, executive, and judiciary, result to the legislative body. . . . 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.²¹

What had been generally done was this: Americans in establishing their state governments had sought to check them by the electorate rather more than by an internal balance of powers. The people could, however, use their influence to abet arbitrary government as well as to check it.

There was also some extension of the franchise during this period. In addition, several legislatures were reapportioned to give inhabitants in the backcountry a more nearly proportionate voice in government. One of the trends, in this connection, was the movement of state capitals inland from the coast to make them more accessible to the back country.

Most of these were changes of degree rather than of kind. To call them revolutionary, as some twentieth century historians have, is a distortion of what happened and a stretching of the meaning

of revolution beyond reasonable confines. Insofar as they were changes from what had prevailed, they were culminations of trends long afoot. Americans had been tending toward religious liberty in practice long before they established it in fundamental law. They had been evading, so far as they could, quitrents, primogeniture, and entail. Their new governmental structures embodied much of what they had been contending with the British for. Bills of rights, bicameral legislatures, and weak executives, were built on the British model. The assault on special privilege did run contrary to recent British practice to some extent, but it was quite in accord with what Americans had been doing almost since they had reached the New World. If in their early enthusiasms in government building they did not attend to a broader experience than their colonial one, this did not make their acts revolutionary, only precipitate. They were clear enough that they wanted to protect the individual from government in the enjoyment of his rights; they did not at first realize how much more this took than felicitously phrased declarations. Weak governments do not make liberty and property secure; that is the office of powerful governments internally restrained. Many Americans were to

learn this lesson, and that rather quickly. But just as their first experiments were not revolutionary in character, no more were their later alterations a counter-revolution. 

Next: The Critical Period.

• FOOTNOTES •

¹ See Merrill Jensen, *The New Nation* (New York: Vintage Books, 1950), p. 132.

² *Ibid.*, p. 133.

³ John Fiske, *The Critical Period of American History* (Boston: Houghton Mifflin, 1916), p. 78.

⁴ Jack P. Greene, ed., *Colonies to Nation* (New York: McGraw-Hill, 1967), pp. 390-91.

⁵ Fiske, *op. cit.*, p. 71

⁶ Greene, *op. cit.*, p. 397.

⁷ *Ibid.*, p. 398.

⁸ See Fiske, *op. cit.*, pp. 74-75.

⁹ See Robert A. Rutland, *The Birth of the Bill of Rights* (New York: Collier, 1962), p. 109.

¹⁰ Henry S. Commager, ed., *Documents of American History*, I (New York: Appleton-Century-Crofts, 1962, 7th ed.), 107.

¹¹ *Ibid.*, p. 104.

¹² *Ibid.*, p. 108.

¹³ Greene, *op. cit.*, pp. 472-73.

¹⁴ Dumas Malone and Basil Rauch, *Empire for Liberty*, I (New York: Appleton-Century-Crofts, 1960), 196.

¹⁵ Commager, *op. cit.*, p. 103.

¹⁶ *Ibid.*, p. 108.

¹⁷ See Frederick B. Tolles, "A Re-evaluation of the Revolution as a Social Movement," George A. Billias, ed., *The American Revolution* (New York: Holt, Rinehart and Winston, 1970, 2nd ed.), pp. 66-67.

¹⁸ See Richard Hofstadter, *et. al.*, *The United States* (Englewood Cliffs, N. J.: Prentice Hall, 1967, 2nd ed.), p. 160.

¹⁹ Greene, *op. cit.*, p. 343.

²⁰ Hofstadter, *op. cit.*, pp. 159-60.

²¹ Quoted in Nelson M. Blake, *A History of American Life and Thought* (New York: McGraw-Hill, 1963), p. 100.

The Productivity of

Freedom

C. LOWELL HARRISS

FREEDOM is more than an *end*, something which in itself is of incalculable value. Freedom is also a *means* for achieving other ends. Among the objectives which freedom helps man achieve are those of his economic life.

But what, really, does the term "freedom" mean in relation to economics? How does it relate to the productivity of an economy? Both questions are difficult. Neither of them am I able to answer to my own full satisfaction. Few of the many aspects are black or white. Gray areas exist. The problems are complex. The values involved are not always in harmony.

The lack of certainty does more than compel caution in presenting conclusions. The existence of doubt also leads to failure to recognize points which, it seems to me, should be more nearly clear than debatable. My university students

seem rarely to appreciate the significance of some major elements. And who has not heard, many times and from many sources, statements to the effect that the world's poor, "emerging" countries cannot afford freedom because of their desire to speed economic development? Economic freedom, however, can make an incomparable contribution to good economic performance.

Freedom — The Concept

Freedom implies the absence of restraint. Yet we also think of it as the existence of opportunities — the more numerous the alternatives available, the greater our freedom. As related to economic affairs, freedom often seems to mean less, rather than more, restriction imposed through the political process, i.e., by government. Who will deny the validity and the pertinence of this interpretation? Denial may come from the person who has been blessed by the op-

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portunity to live where governmental restrictions bother him little — or by the man who has become desensitized (or never had a chance to develop feelings for economic freedom).

Freedom in the fullest sense, however, covers more than the absence of governmental restriction. The freedom that counts economically — and humanely — includes the absence of privately created restrictions whose origin is not in some *quid pro quo*.¹ The massing of economic power in various parts of an economy with generally “free” markets can restrict the freedom of persons not exercising the power.

Freedom in economic, as well as in personal, life requires government and the restraints it imposes. The preservation of order and the

enjoyment of personal rights cannot exist without curbs on action, curbs which limit opportunity but which operate under law. Organized economic life needs “rules of the game,” a framework within which activity can be carried on with assurance about rights and obligations.

A binding legal obligation — to live up to the terms of an agreement — in one sense limits freedom. In a broader sense, however, a body of law which compels men to respect their obligations is a source of freedom and opportunity. The legal system makes possible the contracts and arrangements which are indispensable for specialization and capital accumulation. The essentials of advanced economic life require the governmental imposition, and enforcement, of law.

Government acts in another way to create, while also restraining, economic freedom. Government can use the power of coercion to prevent undesirable “neighborhood” or “third-party” effects. Restrictions against the pollution of air and rivers or inappropriate uses of land provide example. Personal and business activity need to be controlled to reduce adverse effects on persons who are not parties to the transactions. In short, “social costs” of private activity must not be ignored in society’s

¹ By *quid pro quo* restrictions, I mean those which result from inability or unwillingness to meet the terms demanded by others in a generally competitive market: A’s failure to get a new auto because he was unable to meet the seller’s terms or B’s failure to get the better job because he was unwilling to study at night. These must be distinguished from privately erected obstacles to entry by persons who have the qualifications into a line of business or occupation. Private (nongovernmental) restriction on freedom may be illustrated: (a) the existence of producing units so large that potential newcomers face hurdles which are at times insurmountable; (b) wage agreements that effectively exclude from jobs those persons whose productivity makes them worth less than the wage set.

economic calculations if we are to get best overall results. Curbs on some freedoms are necessary to assure the existence of others.

Yet the government which restrains (participates or intervenes — different terms carry different connotations) to make liberty possible also restricts freedom. In surveying the broad scope of government restraint in modern economic life, one sees many “gray areas.” Their frequency and extent, however, ought not to get predominant attention. The central issues deserve attention and most need to be understood. What is the relation of freedom to the essential tasks of an economic system?

What Goods and Services Shall be Produced?

An economic system exists to produce goods and services for consumers — today and in the future.² But not just anything, not great masses of this and nothing of that.

² The nature and conditions of work are no less important than many of the rewards we call consumption. Both positive and negative values lie in work, activity, in the job itself. Here, too, freedom plays a role of paramount significance. The more numerous the opportunities to select among alternatives, the greater the likelihood that one can settle on the best combination of job conditions among those available and also induce the type change which makes for better jobs.

The objective is to produce a vast *array* of goods and services in the *proportions* which will best satisfy human wishes. The optimum combination can be produced only if the public can, and does, reveal personal desires in all their myriad nuances. What methods of showing desires are available? One method consists of our buying as individuals and as private groups — voting in the market place with our money. We can also reveal desires in buying collectively through government. The processes of individual and collective buying differ — and so must the quality of the results. Three differences warrant comment.

1. When buying in the market, individuals may not always do what they really prefer, or would prefer if they had more facts, including those which will come with experience.³ Mistakes are legion. Yet the person who makes an erroneous consumption choice will also bear the burden. The effect on incentives will be direct and unrelenting. When we buy collectively through government, however, a considerable minority — perhaps even a majority — will ordinarily have preferred some other arrangement. They would rather have more of this, less of

³ As consumer goods get more complex, the need for information increases.

that, a different mix of "public" and private goods and services. The direct and indirect expression of preferences through the process of voting in political elections will leave some of the public getting less satisfaction of its wants than the dollars spent would permit. Compulsion on minorities, therefore, sacrifices human satisfactions which would be met under a regime of freedom — except for such *truly collective* wants as national defense and internal policing.⁴

2. In getting produced those things which are most likely to satisfy human wants, the freedom of the market possesses two other inherent advantages over the political, that is, the governmental, process. (a) Governmental decisions are discontinuous. They are made at infrequent intervals. Once made, they often commit spending for months or years, and in amounts which are subject to little change. Much private spending, in contrast, shifts constantly. In the market place we can vote with every dollar on a list of can-

didates which is long indeed. Alternatives shift from day to day. Prices and qualities are kept on the move. New opportunities appear. Consumer reaction to them induces changes with a flexibility rarely possible in government purchasing. (b) Governmental spending decisions are made through intermediaries, not by the ultimate user, the citizen being served. Elected officials, the civil service, and the military place the orders. The public served remains somewhat removed from the choices.

3. New products and new types of services are most likely to appear in an environment of freedom. Buyer reactions then indicate how much of each shall be produced. For many good reasons, government spending patterns tend to be largely stable. Of course, innovation does occur in government, while private monopoly can restrict innovation in the world of business.⁵

Yet even private monopolies may act progressively. And most of the world of business is freer and more competitive than government.

⁴ More typically, the family rather than the individual is the unit involved. There are, for example, things I as an individual want rather more than higher prices of food, putting a man on the moon soon, or subsidizing the development of new agricultural land. Yet some of the taxes I pay to the national government go for these purposes.

⁵ Obstacles to innovation in business are not limited to monopoly in any strict sense of the term. Lethargy, ignorance, lack of capital, and red tape inside a company are among factors limiting innovation.

How to Produce

Most goods can be produced, and most desires for services satisfied, in more than one way. Some methods are better than others. The general welfare objective is to use the minimum of inputs per unit of output. The closer the economy comes to this objective, the greater the total output obtainable from the productive resources available.

In the business world, the hope for profit and the fear of loss act powerfully to compel economizing in production. Freedom provides opportunity — and more. One producer's aggressiveness in cost cutting is another's challenge or threat. Governments, however, do not need to meet cost demands in the same sense as do businesses. If the taxpayer can be compelled to pay the bills (including losses in commercial-type activities), what are the inducements to economizing? They exist, but making them powerful and effective requires exceptional imagination, effort, and freedom within government.

Efficiency demands smaller rather than greater use of inputs per unit of output. To take advantage of opportunities, to adjust to the unending (and also uneven) change (a) of the prices of inputs and (b) of technological possibilities, a producer must be free. He must also be under pressure to do what seems best. Pro-

duction possibilities differ widely from time to time, from place to place. Any single pattern, no matter how well adapted to some situations, will be unsuited to others, and definitely bad for some. Freedom permits the public to benefit from such variety.

Where producers are free to seek better methods — and even more certainly where producers are under the pressure of competition to reduce costs — the public stands to benefit. Government agencies cannot be expected to improve efficiency to the extent that, and as promptly as, permitted by changes in technology and changes in the prices of inputs. Nor does governmental regulation appear promising as an "encourager" of cost reduction. The governmental agency, whether as an operating entity or one regulating private businesses, faces more than one disadvantage as a promoter of production efficiency. So does the business firm or the labor union which is somewhat insulated from the free competition of others. Not the only examples in America are to be found in the makework policies of labor unions and obsolete local laws affecting new construction.

As producers, many of us may nurse a sneaking sympathy for restraints which impede the growth of productivity if they seem to

create demand for our labor or what we have to sell. Nevertheless, the result in any "not-so-long" period will be some failure to improve the relation of output to input. Society suffers. To repeat, protection from the forces of freedom will result in greater use of productive resources per unit of output.

Who Gets What?

For the economy as a whole, there can be no Santa Claus, no "free lunch." Society must pay for what it gets. The payments thus made are the incomes of the recipients. Most of us are on both sides — paying and receiving. On one side, we want the amount to be large; on the other side, we want it to be small. Each of us presumably tries to do the best he can, to make the best settlement possible with what he has, in getting income and then in using it.

The greater our freedom to make the best bargains, the better in general will be the results. No one wants to pay others more than their services are worth, and freedom to reject demands for overpayment reduces the likelihood that we shall be forced to do so. In turn, the broader our range of freedom, the larger our opportunities to get the most that our services are worth to others.

In contrast, restrictions on freedom — whether imposed by government, the possessors of private power, or one's own commitments made earlier — will make the terms for some of our bargains less satisfactory than is potentially possible.

As a result of such compulsion, we shall pay more than is inherently necessary for what we get — and get less than our services are worth.

The distribution of income which results from complete freedom would be less than ideal, judging by the standards to which most of us hold. The person with no productive capacity might be left out in the cold because private philanthropy — a not insignificant feature of free society in America — might not fill all humanely distressing gaps. Long ago government came to use funds collected in taxes to meet some needs of persons whose income from production seemed inadequate. Who among us does not endorse such policy?

Transfer Payments Modify Income Distribution

Modern society goes farther. Transfer payments (such as social insurance and aid to farmers) modify income distribution. The results differ from those of the free market. Taxes also redistrib-

ute income and wealth. The general results may, or may not, suit us better than those from freedom.

Nevertheless, in three important respects the consequences of freedom have no small economic merit.

1) The kinds of services desired are most likely to be forthcoming if demanders and suppliers are free to make the best deals possible. 2) Efficiency in utilization will be encouraged. The employer will not use labor being paid \$4 an hour on jobs worth \$3 an hour. Men capable of producing enough to justify \$4 an hour will rarely spend their time on jobs worth \$3 an hour. The desire for income leads free men to "allocate" themselves toward the work where the rewards are highest because worker productivity is highest. 3) Men seeking work will not be denied jobs because someone else sets conditions — sex, color, age, or creed — which are not pertinent to the task. Nor will a man be denied work because his productivity does not come up to the lowest level of wage rate permitted by law, union-management agreement, or custom.

Economic progress requires that things be done differently. What could be more obvious than that innovation, change, the striking out in new directions, all depend upon freedom? Bureaucracy — in government, in large businesses or

labor unions, perhaps even in universities, religious organizations, and private foundations — provides stability without which progress is impossible. Yet bureaucracy and the slow decision processes of legislatures get in the way of the change which makes up the very essence of economic progress. Perhaps the greatest contribution of freedom to economic productivity lies in the fruits of progress.

Concluding Comment

Reality cannot compete with dreams, at least not "fairly." How easy to romanticize, perhaps about free enterprise, perhaps about possibilities of improving the world by some governmental policy which will restrict the freedom of others: Mr. Dooley made a good point when he said, "A man that'd expect to train lobsters to fly in a year is called a lunatic; but a man that thinks men can be turned into angels by an election is called a reformer and remains at large."

Government will inevitably influence economic affairs extensively. One element of the essential intervention will deal with private market power. Another will involve efforts to meet the problems of particular "soft spots" — individuals, groups, areas — in exceptional need. Let's hope that the results will be constructive. Yet is it not a bit sobering to look at

almost the *oldest* example of governmental intervention in the United States — regulation of railroads — and that which today gets the *most financial outlay* — agriculture? The results are less than brilliant, scarcely models for the “good society.” One reason for the lack of success in these cases is that governmental activity has imposed restrictions on freedom rather than enlisting freedom — in combination with those things which government has to offer.

One advantage of prosperity is that it frees us from the need to worry about small economic prob-

lems. Many details of government spending are just that, small and unimportant. But many are not. The quality of the decisions must influence profoundly the quality of society. In the words of one of history’s greatest economists, Alfred Marshall:

Government is the most precious of human possessions; and no care can be too great to be spent on enabling it to do its work in the best way: a chief condition to that end is that it should not be set to work for which it is not specially qualified, under the conditions of time and place. 

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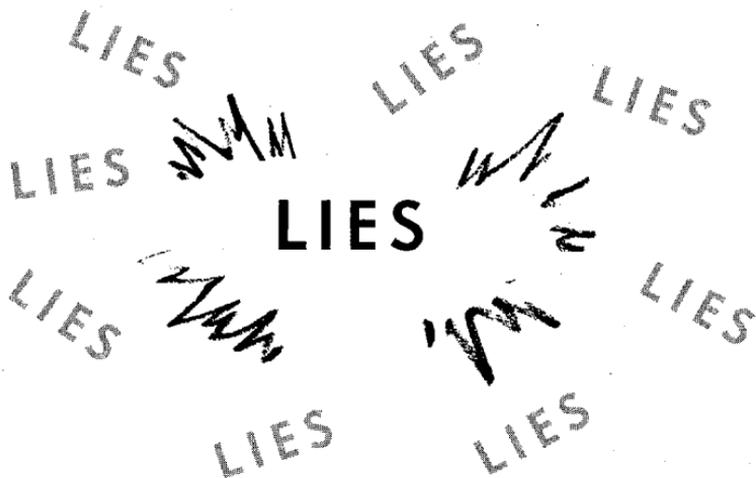
Supporters of Schemes

THE HARD-WORKED and over-burdened who form the great majority, and still more the incapables perpetually helped who are ever led to look for more help, are ready supporters of schemes which promise them this or the other benefit by State-agency, and ready believers of those who tell them that such benefits can be given, and ought to be given. They listen with eager faith to all builders of political air-castles, from Oxford graduates down to Irish irreconcilables; and every additional tax-supported appliance for their welfare raises hopes of further ones. Indeed the more numerous public instrumentalities become, the more is there generated in citizens the notion that everything is to be done for them, and nothing by them. Each generation is made less familiar with the attainment of desired ends by individual actions or private combinations, and more familiar with the attainment of them by governmental agencies; until, eventually, governmental agencies come to be thought of as the only available agencies.

IDEAS ON



LIBERTY



As Arnold Beichman, the author of *Nine Lies About America* (Library Press, \$7.95), puts it, the theme of his trenchant book is "not the 'greening' but rather the lynching of America."

The lynch mobs Mr. Beichman is after include learned Ph.D.s as well as hippies, experienced New York editors and journalists as well as campus revolutionaries. The lies that this heterogeneous group tells about America are by no means limited to nine, but, after all, if the author had done more than hit the high spots his book would have gone on forever. So, in dealing with what Tom Wolfe specifies in a foreword as "the modern intellectual's retrograde habits of mind," Mr. Beich-

man picks out the type of egregious mendacity that would have come under the heading of the late Paul Joseph Goebbels's "big lie."

Goebbels, a Heidelberg Ph.D. before he became Hitler's minister of propaganda and public enlightenment, had enough intelligence to know that he was dealing in evil put-ons, which is a left-handed compliment that we need not extend to some of the "intellectuals" placed on exhibition by Mr. Beichman. Many of them know not what they do. But it is the effect of the "big lie" that is important, not the motivating intent.

Constant repetition of Goebbelian stuff has people believing (1)

that America is a Fascist country, (2) that America means genocide, (3) that "the Bomber Left is a moral force," (4) that the American worker is a "honky," (5) that our political system is a fraud, (6) that our values are materialistic, (7) that America — usually spelled Amerika — is insane, (8) that the American people are "guilty," and (9) that what our country needs is "a violent revolution." Of course, the average Dayton, Ohio, housewife who is the unassuming heroine of Richard Scammons's and Ben Wattenberg's *The Real Majority* wouldn't believe even the least of the nine big lies, nor would her machinist husband. But the so-called intellectual betters of the Dayton housewife swallow the Goebbelsian bait whole, which is one good reason for withholding Federal assistance from our institutions of higher learning. Why, indeed, should the taxpayers be called upon to subsidize the lynchers?

Attention-Getters

Speaking of the intellectuals who justify bombing and arson as necessary attention-getters, Mr. Beichman calls it a "terrifying logic" as "we move from the old literary explosions of small intellectual coteries to the infatuation of a new young avant-garde with

the power that comes out of the barrel of a gun." Mr. Beichman says it is "small wonder" that a weary European visitor was moved "to make the bitter joke, 'When I hear the word gun, I reach for my culture.'" But culture, in this era of the "counter-culture," is a weak shield. Editors who should be defending our cultural heritage sell out merely to be "with it." Anything and anyone can make the cover of our mass magazines. It's women's lib (the female chauvinistic kind) one week, gay lib the next, and Yippie Jerry Rubin or Abbie Hoffman the week after.

"Ideas," says Mr. Beichman, "no longer 'trickle down' over a period of time." Instead, they are gobbled up uncritically by publishers who, "obeying some editorial tropism," accord the craziest notion "the most respectful hearing with color photographs as well." Says Mr. Beichman, our "literary avant-gardists in America are in permanent danger of being overrun by their own eager middle-class followers."

Raceless Genocide

The lies, however, remain lies. How can you call America a Fascist country when anyone in it can say anything, no matter how outrageous? How can our defense of the right of individuals

in South Vietnam to live without being overrun by their neighbors to the north be called "genocide"? After all, the South Vietnamese and the North Vietnamese are Orientals together, and our partiality for the Orientals who prefer liberty to slavery has nothing whatsoever to do with race. The distinction is moral and intellectual.

The stories of police "genocide" against the Black Panthers were repeated uncritically in our best newspapers. But when one inquiring reporter, Edward Epstein of the *New Yorker*, tracked the lurid tales of "twenty-eight murdered Black Panthers" down, the number shriveled to six incidents in which Panthers were killed by police, and in four of these incidents fourteen police were shot or killed by the Panthers.

Ends and Means

Did this constitute a "national scheme . . . to destroy the Panthers"? Or was the Panthers' lawyer Charles Garry, who first floated the twenty-eight figure, guilty of indulging in a "numbers game" entirely comparable to Senator Joe McCarthy's waving of a "list of Communists in the State Department" that came to 146 or thereabouts and was never substantiated?

To say, with the Bomber Left,

that violence is necessary to make ideological and political points is to say that the end justifies the means. Some professors (Cornell and Harvard have had their troubles with them) have made excuses for this notion, but it is hardly a universal axiom even among pragmatists. Mr. Beichman quotes a covey of academics who rationalize the work of the bombers by indulging in "fogbanks of nauseating verbiage" that abound in such phrases as "America has spawned the radicalism it deserves." The "kids" are absolved because the "System" is "bad." But our Bomber Left violence has lacked "the important ingredient of modern revolution — an apparatus." Mr. Beichman says the "days of rage" of the New Left are little more than Blanquist putschism, the *crise de nerfs* of "gesture children." The "gesture children" get the headlines, but they are not America.

If our political system is a "fraud," how does it happen that a Lyndon Johnson, when President, can lose control of his party machinery? How can a Nixon come back after two disastrous defeats? How can a McGovern, moving up from nowhere, suddenly win ten primaries? For better or worse, our party "system" certainly accommodates change. As for our "materialistic" values, Mr. Beich-

man quotes Alfred North Whitehead on Prometheus, who "did not bring to mankind freedom of the press. He procured fire, which obediently to human purposes cooks and gives warmth. In fact freedom of action is a primary human need."

Not Peculiarly American

The final triad of "lies" — that America is "insane," "guilty" and in need of "violent revolution" — is too surrealistic to demand much refutation. It was one man, not a multitude, that pulled the trigger on John Kennedy, and it was the one man, not the city of Dallas, that was mad. And, looking at Soviet Russia, Red China, Cuba and North Vietnam, what does violent revolution get you? Compared to the new tyrants, the Kaiser and Czar were liberals, as Max Nomad once pointed out. The "honky" American worker may not have traveled, but he knows with Mr. Beichman that "racism, tribalism, communalism, religious hate" are less troublesome in Michigan towns than they are in "India, Pakistan, Nigeria, Sudan, Japan, Ceylon . . . the Soviet Union and China," all of which have repressed minorities.

What distinguishes America, says Mr. Beichman in summing up, is that "Americans happen to be ashamed of their prejudices,

while almost everybody else is busy explaining the rationale of racial and religious discrimination, and why it is impossible to end them overnight." The very fact that we are an apologetic people proves that we are not fascists, not genocides, not honkies, not insane. More than others, we are still seekers, looking for a perfection that nobody will ever find.



- ▶ **HAZARDOUS TO YOUR HEALTH** by Marvin H. Edwards (New Rochelle, N. Y.: Arlington House, 1972, 318 pp., \$9.95)

Reviewer: Allan C. Brownfeld

AMERICANS present a curious spectacle to the world: Citizens of the freest and most prosperous nation on earth engage in ritual hand-wringing over the alleged "crises" they find everywhere in their society. Nothing is right, and of the things that are wrong none has come under sharper attack lately than the private practice of medicine.

The near unanimity within the body politic about the existence of

a health-care "crisis" is frightening. President Nixon has proclaimed it, and the only point at issue in the present debate is "which plan" should be enacted to alleviate it. A presidential candidate has proposed a total socialization plan, and even the American Medical Association has a plan in which doctors receive government money but avoid government controls. The sickness of American medicine is the common assumption.

The hollowness of this assumption is demonstrated in *Hazardous To Your Health*, a thoughtful and complete analysis of the charges leveled against American medicine. The author, Marvin H. Edwards, editor of *Private Practice* magazine, concludes that, "There is no medical crisis in the United States, but there may be one soon. Experience with government health programs in this country and elsewhere makes it ominously clear that a national health insurance program may well result in a severe doctor shortage, overcrowding of hospitals and physicians' offices, long waiting lists for hospital care, inadequate facilities, loss of privacy, Federal bankruptcy, and, eventually perhaps, discussion in this nation of the need for mercy killings of the aged to reduce the unbearable costs of government medicine."

Mr. Edwards notes that medical care is far more costly under a nationalized system than under private auspices. If the experiences of European countries are indicative, people tend to overuse and overcrowd existing medical facilities because they seem free. Germany has more hospital beds per number of inhabitants than the United States, but all hospitals are overcrowded throughout the year. The average hospital stay is twenty-four days, compared to six to eight days in America. Part of the reason is that there is a lack of interest by the patient in regaining health as soon as possible, and doctors have no concrete feeling for the costs that could be avoided if the hospital stay were shortened. In addition, the cost of the bureaucratic administrative machinery that accompanies every national health insurance system is staggering. The Swedish citizen, for example, pays twenty per cent of his taxes for health.

Nationalized medicine was initiated in Sweden even though seventy per cent of the Swedish population was already covered by private insurance programs. In the name of equality, these seventy per cent were forced into a compulsory government-administered program in order to provide for the remaining thirty per cent

of the population not privately insured.

Today there is hardly a single hospital in Sweden where there are not long waiting lists for all kinds of hospital care. It is estimated that in Stockholm alone there are more than four thousand persons waiting to enter hospitals, one thousand for operations. In some cases, waiting periods for minor operations may be more than half a year. Dr. Dag Knutsson, head of Sweden's medical association, estimated in the first years of the medical plan that half of the patients in Sweden's hospitals "need not be there."

Mr. Edwards challenges the myth that there is a doctor shortage. In the United States today there are 318,000 medical doctors. With a national population of roughly two hundred million, that is an average of one doctor for every six hundred and forty persons. No other major nation in the world enjoys anything close to that ratio.

Of these doctors, 169,656 are engaged in full time private practice. The remainder are engaged as follows: 28,105 in government service, 17,725 in full time hospital staffs, 10,452 in full time medical faculties, 33,247 in resident training, 9,102 in internship, 4,919 in preventive medicine, and 2,653 in administrative medicine.

The remainder are retired or in some type of work other than the practice of medicine.

"The problem," Mr. Edwards declares, "is not that there are not enough graduating doctors, but that too few are in direct patient care. In fact, it is government involvement in the field of medicine which is, in large measure, responsible for this situation."

Discussing the failures and huge cost overruns of Medicare and Medicaid, Mr. Edwards points out that the overwhelming majority of Americans are covered by private health insurance. As of the end of 1969, the Health Insurance Institute estimated 164 million persons under sixty-five—eighty-nine per cent of the total—had some form of private protection against medical costs. He noted that "If a national system were to become law, the government program would replace all of these private plans—at a much higher cost. Since eighty-nine per cent of the group in whose behalf such socialized medicine plans are being supported are already covered, the advocates of such plans have not met the burden of proving a 'need' for the program at all."

"The choice before us," writes Mr. Edwards, "is simple. You and I are now covered by private health plans and we are familiar

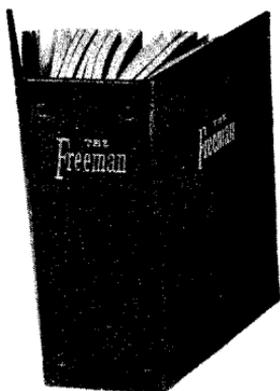
with them; we know what they provide and what they cost, and we know the agent who services them. We know our doctors and most of us have confidence in them. . . . National Health Insurance will destroy private insurance. In return, its advocates promise to solve a fictional health crisis. . . . Government has made similar promises in the past: It has promised to solve the problems of agriculture, of housing, of welfare. Instead, government intervention has compounded the problems. Do you and I want to spend from twelve to eighty billion a year to replace private medical care with government medical programs that have failed wherever they have been tried?"

Marvin Edwards has made a powerful case. Hopefully, it will provide a new and important dimension to the, thus far, one-sided public discussion of this truly life and death question. 

CORRECTION:

Dr. Sanborn's book, *What, How, For Whom*, reviewed in the August 1972 issue of THE FREEMAN, does not state specifically that the author favors conscription. The author leaves the question open for the student to decide.

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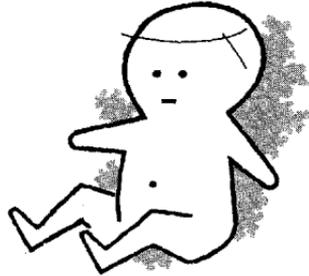
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JAMES A. WEBER

THE POPULATION QUESTION



Limited government or limited people?

WE, the people, founded the United States of America on the principle of limited government.

Now, the government is proposing to operate on the basis of a new principle: limited people.

The need for this complete inversion in the relationship between the American people and their government has been heralded by a seemingly endless outpouring of population-control propaganda and other "popullution" pap. Yet, the case for population control remains unmade. Consider these facts:

1) *Population growth in the United States is not a problem.* The more hysterical proponents of population control like to draw "runaway" population growth

curves that go practically straight up. However, in the real world, population growth follows an "S" rather than a "/" curve.

We are nearing the end of this "S" curve which represents the demographic transition. Consequently, our population growth is now slowing down and in the future will begin to level out, causing a number of noted demographers to bail out of their exponentially rising projections.

The most prominent example to date is Donald J. Bogue, director of the Community and Family Study Center at the University of Chicago. In 1963, Dr. Bogue was among those shouting from the rooftops about the perils of overpopulation. At the time, estimates of U.S. population at the end of the century varied from 300 to 400 million.

Today, Dr. Bogue is predicting

Mr. Weber is a Chicago writer-photographer specializing in public relations. A graduate of Loyola University with an M.A. in Urban Studies, he is doing research for a book on U.S. population.

a U.S. population in 2001 of about 250 million people — only 42 million or 20 per cent more than in 1970. Bogue further predicts that there will be no more babies born annually in 2001 than there are today.

The President's National Goals Research Staff recognized the lack of any population "explosion" in the U.S. when it stated in July, 1971, in a report entitled "Toward Balanced Growth: Quantity with Quality": "One decision which appears not to be urgent is that of over-all size of the population — even after the effects of a considerable immigration are taken into account."

2) *Population growth in the United States is not a major cause of problems.* Population growth has proved to be a boon to those in search of simple solutions to complex problems.

Pollution, crime, overcrowding, resource depletion, lower living standards, reduced governmental services, you name it, population growth causes it, according to these simplistic souls. But the accusations are not supported by the facts.

Technological Impact

Take, for example, pollution. According to Barry Commoner, the increase in population since 1946 accounts for only about 12 to

20 per cent of the various increases in total U.S. pollutant output. From 40 to 95 per cent of these increases were caused by new production technologies which resulted in increased output of pollutants per unit of production.

Commoner points out that it would have been necessary to reduce 1946 population by 86 per cent in order to prevent the rise in pollution which has occurred during the past 25 years. In other words, we would have to have a current U.S. population of 20 to 25 million people to maintain 1946 pollution levels at today's level of technology. By contrast, a 30-per cent reduction in the environmental impact of technology would have accomplished the same result. The conclusion is that U.S. population growth has only a minor effect on the intensification of pollution. Conversely, immense reductions in population size would be required to materially affect pollution levels.

There is at the same time another side to the pollution coin, namely, that although people account for only 12 to 20 per cent of pollution, they form 100 per cent of the productive source of funds which must be used in the future to reduce many types of pollution. Lake Erie, for instance, will continue to be a problem regardless of future population

trends. But it will be a problem that can be more easily resolved from a financial point of view by a growing population.

Crowding and Crime

Another favorite "problem" of populationists is crime. A classic example of this was a full-page advertisement in the *New York Times* sponsored by a group called the Campaign to Check the Population Explosion. Under the headline "Have you ever been mugged? Well, you may be" was a picture of a man grappling with a mugger. "Is there an answer [to crime in the cities]?" the ad copy asked. "Yes," it responded, "birth control is one."

Major central cities such as New York do, in fact, have the highest crime rates. But these cities are losing, not gaining, population. Shall we therefore conclude that crime increases as population decreases?

Of course, juvenile delinquency goes up disproportionately during a period of population growth because there are more young people around in relation to the rest of the population. The ad also calls attention to this fact with the statement: "City slums — jam-packed with juveniles, thousands of them idle — breed discontent, drug addiction and chaos."

Tongue-in-cheekwise, population

control is sort of, yes, an "answer" to the so-called "youth problem." But an answer which involves solving problems simply by eliminating people who have or cause the problems hardly merits serious consideration as a legitimate solution.

Population Density

What about overcrowding? At 55 persons per square mile, the United States is one of the least densely populated countries in the world. Holland, for example, has 975 persons per square mile; England, 588; Switzerland, 382.

Overcrowding in the U.S. is a function of population distribution, not population size. And people congregate, i.e., overcrowd, in metropolitan areas for their mutual advantage. This is what metropolitan areas are all about.

But even in these areas population density is decreasing with the continuing exodus of people from central cities to suburbs. This decentralization was initially made possible by improvements in transportation. It is now being further hastened by revolutionary improvements in electronic communications which are rapidly minimizing the need for centralized paper-shuffling and face-to-face contacts.

Nobody anticipates that the United States will run out of re-

sources in the next 50 years due to population growth. Beyond that, it is difficult to speculate or, to put it another way, it is only possible to speculate because we are not sure of the full extent of existing resources or what new resources may be developed. Furthermore, many resources now being consumed and discarded will increasingly be reused in the future should prices rise due to growing scarcities and the addition of pollution charges to processing costs.

Meanwhile, those who weep because Americans constitute only 6 per cent of the world's population but consume 40 per cent of the world's annual resource output should dry their eyes. Economies of underdeveloped countries around the world are dependent for their survival on the income derived from this consumption. Reduce or eliminate it and we will really find out what problems are like.

It is a rote assertion of populationists that per capita income will not keep pace, i.e., we will be forced to accept lower living standards, as population increases. There is, of course, nothing in our previous economic history to indicate that increases in per capita income cannot proceed side-by-side with population growth; the exact opposite is the case. Nor is

there anything in our present circumstances to support this supposition or its converse that per capita income will increase as population growth decreases, e.g., West Virginia whose population is declining is not noted for booming per capita income.

Per capita income is a function of productivity as well as population. A growing population makes possible improvements in productivity which are more than a match for population growth, thus resulting in increasing per capita income.

"Public Sector" Problems

It is also said by population control promoters that growing population will outstrip the capabilities of Federal, state and local governments to provide services to the people. But, if this is really the case, it can be more readily taken as a mandate for more efficient governmental operation and greater concentration on the provision of essential governmental services rather than a rationale for population reduction. The idea of eliminating people to make things easier for government is a rather grotesque perversion of the American political promise.

The lack of any major cause-and-effect relationship between population growth and the problems it supposedly causes prompt-

ed Conrad Taeuber, associate director of the U.S. Census Bureau and director of the 1970 census, to observe: "Our population problem is one of tackling the agenda for improvement of our total environment. A lowered rate of population growth may facilitate the tackling of those tasks — but it would be only one small element in the programs which need to be developed."

3) *Population control in the United States will not solve any problems.* The purpose of population control is to reduce population growth. But population growth is not a major cause of any problems. Therefore, reducing population growth through population control will not solve any problems.

This is another way of saying that it is simplistic nonsense to suggest, as the report of The Com-

mission on Population Growth and the American Future does, that increases in the "quality of life" — the Commission's favorite "buzz" phrase — can be achieved through decreases in the quantity of people. There is no automatic, inverse relationship between people quality and people quantity.

It is true, of course, that wherever there are people there are problems. But this is a description of the human condition, not a prescription for population control.

In a creative, free and rightly ordered society, people solve more problems than they make. This is the source of increasing life quality.

It is unlimited government of the type required to achieve the stated goals of population control that makes more problems than it solves. 

Socialism's Poor Record

SOCIALISM has a poor record when it comes to eliminating problems: its answer adds up to eliminating people. In fact, one of socialism's major and chronic problems is simply *people*. Socialism on the one hand destroys production, and, on the other, breeds up the least desirable elements. Its answer is to find the people at fault. Socialism always faces over-population; a free economy does not.

IDEAS ON



LIBERTY



A

VOTE

FOR MYSELF

EDWARD Y. BREESE

THERE'S ONLY ONE VOTE I can cast this year or any year that's of real importance to myself or to anyone else — and it won't appear on any ballot.

Contrary to what most people feel, the vote I cast in a Presidential election doesn't seem very important to me. The sheer weight of inertia inherent in a bureaucracy the size of ours makes me doubt that any Chief Executive can really make things either much better or much worse. All of the cells of the body politic tend to go on pursuing their individual aims of growth in the same old way no matter who sits back of that desk in the White House. The legislators and the courts continue to march to their old, familiar drums.

It's been some time since politics excited me.

Still, I *can* cast the vote that

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counts. To my mind, it's the only one that *does* count on the local, state or national basis. That's because it is an intensely personal vote — so personal and so meaningful that I can't just mark a ballot or pull a lever and then walk away from the voting booth.

This one I have to put into action. I have to live with it day by day and even hour by hour. It becomes action and thought and then action again — so it doesn't pass away after one count. It doesn't drop back into the record of events past and forgotten. This vote I must cast over and over and over; it remains a continuing force, setting up innumerable chains of action and reaction, touching the lives of more and more people besides myself.

I'm talking about my own vote for myself, of course. That's the only one I can cast, and *make it stick*.

I don't mean voting for myself for Congress or City Commission or any other public office. I mean the vote I cast for myself as a member in full standing of the human race — my vote of confidence in myself as a rational, responsible citizen — responsible among men and under God. That is the all-important vote. My happiness depends upon it — and my self-respect — and both survival and victory in the battle of life.

Actually, I have little choice. Because I am a sentient being, I have to cast that vote of confidence in myself or just cast it away. If I do the latter, I've abdicated a very large part of my membership in the human race. I've chosen to accept my status as a second class citizen — or worse. It's an unthinkable alternative. At least, it's unthinkable to me.

Of course, once I've cast that vote for myself, I'm elected. In that particular balloting it's the only vote that counts. Before I cast it I have to be willing to assume the responsibilities, the risks, and the duties that go with the election.

I have to be willing to think for myself. Rather than accepting leadership, command, or even blind guidance from Authority, I have to use my rational faculties. I have to look behind even the best intentioned propaganda, and find the meaning that may underlie the fine words. I must strive always to be *Homo sapiens*, the thinking man.

I must strive to be the moral man — that is, to exercise my faculty of telling right from wrong as these apply to me in my own life and circumstance.

Above all, I must strive for the strength to *act* upon the knowledge of these things.

Rather than yielding to the impulse to complain or resent the political and economic forces which buffet us in the nineteen seventies, I have to be willing to *do* something within the only span of control that is pragmatically open to me — that is, within my own life.

I must deal with such menaces as inflation and pollution by reliance on the market forces of supply and demand rather than regulation and control and deficit financing by government. I must combat creeping monolithic statism by learning to rely upon my own resources of brain and hands and skills and courage, rather than upon the beneficent "big brotherism" of the welfare state.

Most of all, the vote I cast for myself is one I also must extend to my fellow man. I must grant to him the same right and the privilege of self-reliance that I would claim.

I am not afraid of the predicted "collapse by the year two thousand." That song was being sung to the same tune when the first millenium was ending.

I am going to cast a vote for myself this year, and each year, in the assurance that I am not alone in this, and that we who do so not only will survive but will build a world in which we all may live.

Ageless Faith for a Vacillating America



ROBERT G. BEARCE

MAN ACTS according to his faith. Even those who ridicule faith in God, in freedom, in the individual — even tyrants — have a degree of faith in the brute force they employ. And, unfortunately, this faith in coercion is spreading its contagion of gloom and doom, causing stalwart Americans to doubt the faith of our Fathers.

Robert K. Walker, a Tennessee attorney, spelled out the problem in 1968:

People who think well of themselves collectively exhibit enthusiasm and morale. When nations cease believing in themselves, when they regard their institutions with cynicism and their traditions with flippancy, they will not long remain great nations.

If America is the world's "last hope," contemplate the worldwide

oppression and human degradation if we cannot rejuvenate our faith:

- Faith in God
- Faith in Freedom
- Faith in the Individual
- Faith in our Heritage
- Faith in Ourselves

If we can revive a profound *faith in God* we will have taken the first step toward revitalizing the moral, economic, political, and social fabric of the United States. Faith in God gives man a proper perspective of his place on earth. We are imperfect mortals, while only God is omnipotent, omnipresent, and omniscient. Belief in the Creator also demands an adherence to certain absolute, enduring values and principles. These standards and laws may be broken by man but never changed. When individuals and nations acknowledge God and His laws, they create an atmosphere where prosper-

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ity, peace, harmony, and freedom are nurtured. When man transgresses the eternal laws, he enslaves himself.

Faith in God was early reflected by our forefathers. In their rigorous way, the Puritans and other fundamentalist sects were acknowledging the supreme power of the Creator and their need for His guidance.

Thomas Jefferson expressed it thus in 1785:

And can the liberties of a nation be thought secure when we have removed their only firm basis, a conviction in the minds of the people that these liberties are the gift of God — that they are not to be violated but with His wrath? Indeed, I tremble for my country when I reflect that God is just; that His justice cannot sleep forever.

Benjamin Franklin also echoed the early faith:

I have lived, sir, a long time, and the longer I live, the more convincing proofs I see of this truth: that God governs in the affairs of men. And if a sparrow cannot fall to the ground without His notice, is it probable that an empire can rise without His aid?

Faith in God was written into the *Declaration of Independence*. "We hold these truths to be self-evident. That all men are created equal. . . ." The signers were ex-

pressing their belief in two truths. First, they believed that certain eternal wisdom existed for all men and all posterity. These laws were "self-evident." Secondly, man's equality was the gift of a supreme Creator. Men were "created" equal in the sight of God. Government, or "society," had nothing to do with bestowing equality.

Those who said: "That they [men] are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness," were again stating their *faith in God*. They were saying that God — not government, or society, or the State — should be the ultimate object of man's allegiance. These rights were entrusted to man by God, not privileges bequeathed by any government.

Faith in Freedom

Because the Founding Fathers had a resolute faith in God, they also had a perceptive *faith in freedom*, i.e., confidence in and dependence upon individual choice. They recognized that God coerced no man to love and follow Him, so they, too, put their trust in individual freedom and accountability.

Men like Jefferson and John Adams observed that individual freedom and personal responsibility were inseparable. If man has the inherent, God-given right to

voluntarily make choices and to order his own life as he pleases, then he also must accept the consequences of his personal conduct and choice. He must be personally accountable for his use of the freedom with which he is entrusted.

This tenacious faith in freedom was expressed in their determination to create a constitutional republic — not a democracy — which would provide a maximum of freedom for the individual and a minimum of coercion in the hands of the government, only that amount needed to prosecute the abusers of freedom. In this atmosphere of a minimum of force against men and a maximum of voluntary action, a tremendous outburst of individual creativity, ingenuity, and energy blessed America. The Founding Fathers adhered to the eternal law that the blessings derived from individual creativity and voluntary association can never be harnessed by or replaced by government intervention.

Freedom is for the individual. Freedom for government means oppressive taxation and servitude. Freedom centers upon the individual and his inherent right to pursue his own life without interference or coercion. If America is not to deteriorate, we too must place the burden for constructive change and harmony in our communities upon the freely-given

and spontaneous love of the individual. Consider the following maxim: To the extent that we make the State the mechanism for social and economic stability, we will see a proportionate erosion of the political, economic, moral, and spiritual foundations of the United States.

Coercive Reform Measures Rather than Voluntary Action

Regrettably, the notion is spreading that government can alleviate social ills more effectively than can individuals working spontaneously and voluntarily. Imagine the consternation at the following proposition:

Resolved: That the care of all America's needy will be placed in the hands of private charity groups, the church, and the family — terminating the present governmental responsibility and thus freeing the American citizen of a portion of his tax burden presently created by "welfare" programs.

Such a proposal to abolish government-sponsored welfare would invoke howls of righteous indignation and disbelief from the faithless. Ask such a person if he would willingly contribute to the support of his own parents in their old age or contribute to a responsible charitable organization or his church for the aid of those

honestly in need. His answer will be a sincere and enthusiastic "yes." He believes himself to be compassionate and charitable, but he won't say the same of his fellow man; unless the Federal government intervenes and coerces through taxation and economic redistribution, people will starve! His faith rests in coercive legislation and taxation rather than in the voluntary love and charity of individuals.

What is worse, it can be seen that the cynic's faith in God and freedom ends where his confidence in and dependence upon the benevolent State begins. Although God loved man and had faith enough in His creation to give the individual freedom to choose and reject, our modern state-interventionists believe that individuals can not be left to their own personal freedom and accountability.

A Proud Heritage

Fortunately, these people who have lost faith in the enduring standards must fight a well-established tradition. America has a profoundly-rooted faith in freedom, in the dignity of the individual, and in the laws of God which govern human nature. Tradition may be scorned by the avant-garde "progressives" in political, economic, religious, and educational institutions, but its hold in the

hearts of Americans in general is not easily broken.

We have a proud heritage, one whose milestones are inscribed with toil, dignity, courage, and faith — faith in the works of previous generations. Our heritage and our history attest to the absolute laws and principles to which man must always adhere if he aspires to dignity and prosperity.

The corrupters of our heritage threaten to create a fatal vacuum. Our history holds our mistakes, our successes, our hopes and dreams, and our hard-won knowledge of the paths which must be followed if our country is to survive. Our heritage should be studied, cherished, and its meaning passed on to future generations in defiance of those who are now making a profession of flogging America.

Men will continue to reject freedom and the worth and accountability of the individual. They will defy God and debauch our heritage. But the inspiring story of our heritage can never be destroyed, only belittled and dishonored. The seeds of freedom have been sown. It is our task to reap the harvest, to preserve the seed, and to prepare the soil for future harvests.

Ultimately, we arrive at the need for faith in ourselves. Though the Pilgrim fathers en-

trusted their lives to God, they must have had faith in themselves as God's earthly tools. They recognized that, like all men, they were special creatures in the sight of God. They were men of individual worth and dignity. *And they acted as such!* Throughout the colonization and settlement of America, their posterity exhibited the same individualism and self-respect. They sweated over the plow, toiled with the harvest, hacked roads through the wilderness, trudged thousands of miles across the desert, and prayed — and they built a land of freedom and human dignity.

None of this progress was distributed on golden saucers for the asking; it wasn't accomplished overnight by blissful theorizing; and it was not masterminded by any politician who wanted to administer welfare tonics and pabulum to the American populace.

Signs of Despair

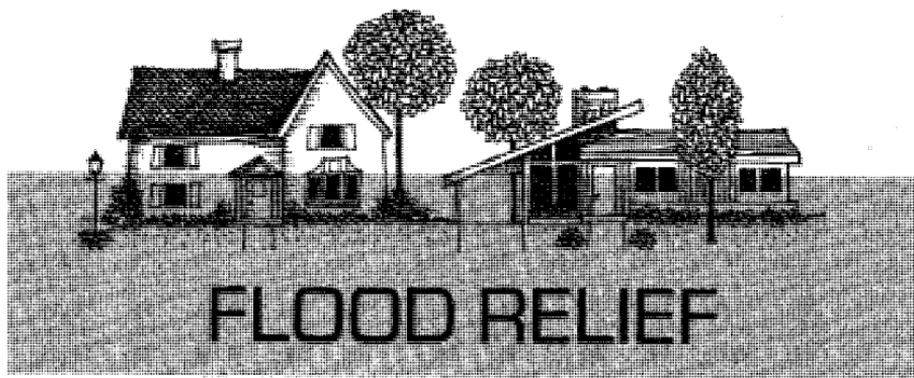
Too many of our fellow citizens are quitting in despair. They have lost faith in themselves, forgotten our heritage, refuse to trust the individual to make his own choice, and lack faith in God. This sullen apathy and mood of defeatism is

like a cancer on America, deadly if not removed.

Most folks still believe in the foundations of our Faith, but they are woefully short on physical, mental, and spiritual enthusiasm. They lack the enthusiastic commitment to give that faith meaning. To believe in freedom is admirable, but faith without works is dead. The optimistic attitude is a part of faith, a key to successful practice.

Our personal commitment to the eternal ideals of our Faith must be contagious. The demand of this hour in history is for men who will respond to that trust in God, freedom, the individual, our heritage, and ourselves. Today we read a dateless, ageless "want ad" for men who will be articulate, sincere, dedicated, forthright, and vibrant in expressing that Faith.

The fire of human endeavor is continually subjected to water and oil — the water poured on it by those who through ignorance or design seek to extinguish human dignity — and the oil of Faith of those who have dedicated themselves to replenishing the fire of man's integrity through confidence in individualism, freedom, their heritage, and God. 



PAUL L. POIROT

ASIDE from lives lost, early estimates of flood damage when tropical storm *Agnes* moved up the East Coast in June 1972 approached \$2 billion, two-thirds of it in Pennsylvania.

Hours of steady, heavy down-pour. Rivulets turning to torrents. Warnings and a rush to evacuate known flood plains and other low-lying areas. Bridges out. Cars stalled on flooded and debris-strewn highways. Daring boat and helicopter rescues of hapless victims. Trees uprooted, lawns and fields eroded, homes and cabins and trailers inundated if not upset or washed away entirely. Basements filled, motors and transformers and electrical appliances

ruined, wells polluted, broken gas and water mains—and the fires, burning to the waterline with no way to get fire-fighting equipment to the scene. Water rising in the street, into the lower and sometimes the upper stories of homes and places of business. Services swamped, or entirely out of business. Rescue and relief stations. Emergency hospitals, housing, feeding, clothing, pumping, water testing, vaccinations.

Then the crest passes. Owners—and probably some looters—wade back to survey the damage and carry on the salvage, repair, restoration—or further destruction.

What does one think as he sloshes and scoops and picks

through the rubble and slime and stench, sorting what might be saved from what can't or shouldn't? Give thanks that so many lives were saved, that not all property was destroyed? Pray that the sun may shine! Regret the hours and funds expended to build what is gone! Wonder what part of the loss, if any, might have been covered by insurance! How to deduct the rest from his income tax! How to obtain a grant or loan! How to build or hedge against future flooding! Feel sorry for all victims, but especially sorry for himself!

\$2 Billion in Perspective

Perhaps it might take some time, perhaps it might never occur to most victims of the flood damage to view the \$2 billion in perspective. The toll taken by *Agnes* in lives and property in the United States is roughly equivalent to the cost of one Apollo mission to the moon — or two weeks of U.S. involvement in Vietnam — or 4 days of government expenditures on domestic welfare programs — or 30 hours of total spending of taxpayers' property in the U.S.

To be sure, it is no way to measure the total loss of one man's business, his home, his life savings — say \$100,000 — as amounting to an average of half a mill

for each person in the United States, or the \$2 billion total flood loss as an average of \$10 per person. Any loss of private property falls entirely upon the owner of that property, just as a lost life is always that of some one individual. And any loss of "public" property, such as roads, streets, parks, schools, post offices, libraries, sewers, water systems, fire stations, and the like, falls proportionately upon the taxpayers of the unit of government involved.

Yet, the real loss, wherever the burden falls, is not in the disappearance of \$2 billion of money or currency. Rather, it is a removal from the market of \$2 billion worth of scarce and valuable resources — materials and services no longer available to help meet current demands. And in this sense is a storm like *Agnes* equivalent in destructive power to an Apollo moon shot. It destroys or removes from the market \$2 billion worth of scarce and valuable resources for which willing customers and property owners had in mind, and in fact, other uses. The fact that a moon shot assesses the \$2 billion damage against a broader group of property owners — at an average of \$10 per man, woman, and child — does not render it less destructive on the whole than storm *Agnes* which hit Pennsylvania hardest. The toll in prop-

erty, and lives and livelihood dependent on that property, is about the same in both of these catastrophes.

When Federal, state, and local governments spend well over \$200 billion a year waging various wars against communism, famine, pestilence, ignorance, poverty, this means that property, lives, and livelihood are being withdrawn from the open market of willing buyers and sellers at the rate of a storm like *Agnes* about twice a week. And recent flood victims can testify, that's a lot of resources down the drain.

It may be argued, of course, that space exploration is well worth \$2 billion a shot. And who is to say him nay if any individual wants to risk his own life and invest his own scarce and valuable resources in such research and exploratory ventures? Or to fight communism in Vietnam? Or to support the prices of farm products? Or to carry out various other welfare programs? Or whatever else an owner voluntarily does with his property in ways not injurious to other peaceful persons?

What is deplored are devastating forces raging out of control — coercive power that destroys the lives and the property of innocent and unwilling victims: a violent storm like *Agnes*, a moon shot or any other government project that

is not essential to the defense of life and property and that might not be done if the doing depended upon willing buyers and sellers.

Violent Recovery?

How do individuals, how does an economy recover from an *Agnes*-type disaster? According to the *Wall Street Journal*, July 13, 1972, "Flood relief funds exceeding \$1.7 billion were requested by the President . . . to meet fully the requirements of some 115,000 homeowners and 6,000 businessmen in six states who sustained flood damage . . . 30-year loans at 1 per cent interest, and repayment on the first \$5,000 wouldn't be required . . . the largest single amount [\$1.7 billion] ever allocated for a recovery effort."

One's heart bleeds for the victims of *Agnes*, especially if he happens to be one of them. But the harsh fact is that neither the President nor the Congress possesses \$1.7 billion worth of scarce and valuable resources to give to flood victims. The proposal is to take that additional amount of resources, by the coercive power of taxation, from present owners, at an average rate of \$8.50 per man, woman and child — at a substantially higher rate, of course, from the smaller number who pay taxes directly: the producers, savers, investors, workers and providers of

jobs and goods and services. But where does the brunt of this \$1.7 billion burden eventually come to rest? It rests upon the jobless, the homeless, the hungry, the sick, the aged and feeble—upon the victims of inflation! For the fact is that the U.S. Federal government will resort to the printing press to extract an additional \$1.7 billion of scarce and valuable resources from the market. And the resultant higher prices and costs will, in effect, bar from the market the least affluent among prospective consumers.

The proposed program of coerced relief from *Agnes* is simply another disaster of almost the same proportions. And this, bear in mind, does not begin to encompass the demands that will arise for dikes, diversion dams, and countless other flood control measures in areas subject to chronic or occasional flooding—all at taxpayer expense.

The Voluntary Way

Admittedly, this is no simple, easy problem to resolve. And of only one thing may anyone be certain: There is no possibility of a solution unless the owners of private property stand ready to shoulder full responsibility for the use of such property, including any loss as well as any gain accruing from such use. To help a

man build—or rebuild—on a flood plain, if he cannot bear to be flooded, is no service to him or to society.

To cite facts and principles in the face of perhaps the worst natural disaster in American history may seem unrealistic. The voters of America, generous to a fault, are far more apt to applaud than oppose in the wake of *Agnes* a major government relief program. Indeed, individuals *might* voluntarily contribute \$2 billion of scarce labor and other resources to such an effort. But, of course, we shall never know, in our present state of dependence on government force to satisfy human wants.

Nevertheless, one is bound to call attention to the inescapable fact that government is force, and that unlimited force is unbearable tyranny. Somewhere, sometime, somehow, each of us must face the issue and draw the line if he would preserve his freedom and human dignity. The tide of welfareist protectionism and government regulation and control of our lives is at flood stage. Will the American people build and man the dikes, and do so voluntarily? Or will we continue to build houses on sand, in the flood plains, in the naive faith that the flood will curb itself and care lovingly for us from cradle to grave? 



Creeping Capitalism:



Is Free Enterprise Coming Back?

EDWARD COLESON

MANY of our disillusioned contemporaries have given up on the present. If they have not "dropped out" so completely that they have quit thinking altogether, they are wont to retreat to the past. They like to imagine some golden age long ago when life was lovely and things worked out as they should. If they had just lived back then, think what they could have accomplished. But not today! The present is hopeless. Sad to say, today is all we have. Sad to say also, yesterday had its problems too.

Perhaps the classic example of the "displaced person" in history was Madame Roland who, says Carl Becker,¹ often "wept to think she was not born a Spartan or a Roman. . . ." There were no opportunities for heroic action in her little world, "the stuffy apartment

of an engraver doing a small business on the Pont Neuf" in the Paris of 1788. But wait — July 14 came next year, the Bastille was taken and she had an opportunity to be part of as stirring events as the world has ever seen. She was unjustly thrown into prison and, as she awaited her turn at the guillotine, she recalled that Socrates had also been a martyr. On her way to the place of execution, as she passed a statue of Liberty, she exclaimed, "Oh Liberty, what crimes are committed in thy name!" Let's hope that you and I are more fortunate than Madame Roland, but the point is obvious: her age was the "best of times and the worst of times," just as Charles Dickens tells us in the opening lines of his *Tale of Two Cities*. So was the age of Socrates and that much-maligned era called the present — more precisely, today.

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No Instant Answers

A lot of good conservatives have been quite overwhelmed by developments in the last few decades. If they are ancient enough to remember the election twenty years ago — the strong feeling on the part of many that now we could drastically reduce the vast Federal bureaucracy, liquidate the farm program, reduce welfare expenditures to a reasonable figure and get people back to work again, trim the national budget so that no one would recognize it, all this and Heaven too, if we just elected the right president come November — well, such a voter may have given up on the political process some while ago. If the frustrations of the 'Fifties didn't do it, surely the conservative debacle of 1964 did. But such a political drop-out fails to understand the historical process. There are no instant problems or instant solutions.

As Walter Lippmann² wrote during the Second World War, "the movement of history is massive, and the mills of the gods grind slowly. . . ." We need to learn to look far in the past to see the beginnings of the present, and to peer down into the tomorrows to try to see where we are going. Free enterprise did not spring full blown from the mind of Adam Smith in 1776, nor did the "New

Deal" arise by spontaneous generation in the spring of 1933: both had their roots far in the past. If Socialism has been creeping up on us as far back as any of us can remember, this is the way Capitalism came into being in the early decades of the last century. The seeds of tomorrow are sprouting today, but it isn't easy to guess what the flowers and fruit will be like afterward. We human beings are notoriously poor prophets.

One reason why the best laid plans of mice and men go awry is that history has a way of doing a dramatic about-face every once in a while and often even a double switch, like the surprise endings of O. Henry's short stories. Few people could see the threat that Hitler posed even years after he came to power in 1933; and when the Nazi blitz was overwhelming Europe a little later, few could see the possibility of stemming the tide. In the postwar treason trials in France Pierre Laval asked the court how anyone in 1940 could have guessed that Hitler would not win the war. Men like Winston Churchill and General de Gaulle walked by faith, while the quislings and other appeasers walked by sight. If one cannot outguess history, at least he can try to be on the side of right and leave the outcome to the One who inhabits Eternity.

Laissez Faire

Obviously, there was no use in trying to straighten out the chaotic and decadent world of the Old Regime in France in the middle of the Eighteenth Century, when a few free enterprise philosophers called Physiocrats coined the phrase "laissez faire" and sought to bring order out of chaos. While Adam Smith was visiting France (1764-'66), he got acquainted with the Physiocrats, spent a considerable amount of time with them, and seems to have been influenced considerably by their thinking. But what is incomprehensible is the fact that a handful of French intellectuals and a relatively unknown Scottish professor of moral philosophy should start a revolution which would eventually — long after they were dead — change the whole destiny of the Western World and point the way to freedom.

As is well known, Adam Smith's *Wealth of Nations* appeared the same year that Thomas Jefferson penned the "Declaration of Independence." The two were of a kindred spirit too. Both advocated limited government and the rights of the individual. Jefferson's masterpiece bore fruit rather immediately, but *The Wealth of Nations* came into its own much more slowly and rather hesitantly too. The book became a best seller and

was widely read and highly acclaimed by distinguished people. Edmund Burke³ insisted that "in its ultimate results" the *Wealth of Nations* "was probably the most important book that has ever been written." Since Burke died in 1797 and did not live to see any very tangible results (although Prime Minister Pitt was strongly committed to Smith's ideas and was seeking to implement them) one wonders what he meant. Perhaps we may regard this as another of his prophecies, like his premonition that the French were in for real trouble. Burke⁴ was already deeply concerned about the condition of France, the danger of "some extraordinary convulsion," as early as 1769, although the French Revolution did not come for another twenty years. Did he also foresee what would really happen when men had the courage to actually put Smith's theories to the test? That day was long in coming and conditions got worse before they got better. No doubt part of the delay was due to the coming of the French Revolution. According to John Chamberlain,⁵ "If the shadows of the French Revolution and the long Napoleonic struggles had not intervened, the full Smith doctrine might have become English governmental policy long before 1835 or 1848."

The Complex World of Earlier Periods in History

Before considering the very great impact of the French Revolution and the Napoleonic Wars on the political and economic development of Europe, let us examine briefly what Adam Smith was rebelling against. Since many Americans remember, at least second hand, the rather simple days of the late Victorian period, the "Gay 'Nineties," it is customary for them to extrapolate backward to even simpler days in the 1790's or the 1690's. This view, of course, is completely fallacious. The world that Adam Smith and the Physiocrats knew was an exceedingly complicated affair and had long been that way, although the industrial age, which is supposed to be responsible for our modern complexities and perplexities, was still in its infancy.

Indeed, nearly two centuries before Watt perfected his steam engine and Smith wrote his protests against interfering with the market, the Spanish were developing a very complicated economic code for the management of their new colonies, even before they knew what they had over here. Ten years after Columbus returned from his first voyage, Ferdinand and Isabella created the House of Trade at Seville and put it in charge of the commerce of the

colonies. Ultimately every aspect of life in the New World was controlled, presumably to promote the prosperity of the Mother Country. This system, known to history as mercantilism, should not be too hard for us to understand, since it is back with us again.

This Spanish version of the managed economy should also be of great interest to those who question the wisdom of similar attempts today. A few examples should illustrate the nature of the regulations and the severity of the punishment for disobeying them. Vineyards were forbidden in the New World on pain of death. (This was not an early try at "Prohibition" but was an attempt to help the Spanish wine producers at home.) The death penalty was also decreed for anyone in the colonies caught manufacturing any of a long list of articles, including artistic workings of gold and silver by the Indians. Trade with the colonies was strictly controlled also. Only one port in Spain was open to commerce with the New World and only two or three were allowed on this side of the Atlantic.

The easy assumption that freedom grew spontaneously in the virgin soil of the New World does not bear close scrutiny. Certainly this was not true in the Spanish colonies. Freedom is a world view

Free enterprise did not spring full blown from the mind of Adam Smith in 1776, nor did the "New Deal" arise by spontaneous generation in the spring of 1933; both had their roots far in the past.

but not a geographic location; we find it in the philosophy book, not the atlas.

Nor was this economic folly confined to the Spanish. The French system of economic controls, well known to Adam Smith through the Physiocrats and his own observations while traveling in France, was also a labyrinth of complexity. It required more than two thousand pages to print the textile regulations alone and, like Draco's Code, they could be said to have been written in blood. For instance, sixteen thousand people died as the result of the laws governing the production of printed calicoes, either executed by the courts or killed in being apprehended for the violation of these regulations.

The English rulers had never done as badly as those of Spain and France because the political situation was rather insecure during much of this period (Charles I lost his head in 1649 and James II his throne in 1688), but they had done enough to arouse Smith's wrath. He had a special grudge against monopolies. As Chamberlain⁶ says, "... his treatment (in

the *Wealth of Nations*) of the monopolies granted to single companies for trade with the Orient — the East India company, for example — are masterpieces of restrained rage." It cannot be stressed too strongly, however, that Adam Smith was no anarchist; he was not out to abolish the Ten Commandments, the laws against murder and theft, but just the innumerable petty economic regulations that kept goods unnecessarily scarce and the mass of the people needlessly poor.

Retreat from Freedom

The French Revolution and the ensuing Napoleonic Wars seemed to push England and Western Europe farther and farther from the laissez faire economic policies advocated by the French Physiocrats and Adam Smith. Part of this seems almost inevitable in war time, at least, the way modern wars are fought. Most of us probably have forgotten both the duration and extent of this conflict: from the Fall of the Bastille on July 14, 1789 to Napoleon's defeat at Waterloo on June 18, 1815 is almost twenty six years; and,

while the war was not continuous during this period, it was always too close for comfort. Furthermore, it was a global conflict, (We sometimes forget that our own War of 1812 was just an extension of the one in Europe.) Needless to say, a war of this ferocity and duration impoverished the participants greatly, and the postwar depression was very severe. Nor is it necessary to point out that freedom was severely curtailed during this quarter-century of conflict, in spite of the early French slogan, "Liberty, Equality and Fraternity."

Both the English and Napoleon whose Empire included most of Western Europe — and even Russia with the Czar's cooperation for a time — blockaded each other's coastline, although much of it was a "paper blockade," particularly for the French who lost control of the seas after Lord Nelson's victory at Cape Trafalgar in 1805. The United States, a young nation heavily dependent on foreign trade, found herself in a most awkward position with both sides preying on her commerce.

With Napoleon his Continental System, as he called it, was a "Co-prosperity Sphere," a managed "European Market" with England excluded, not unlike Clay's "American System" for the United States a couple decades later. While these

blockades can be passed off as war measures, Napoleon's commitment to his brand of mercantilism seems to be more than mere expediency. After all, an important reason for his costly expedition into Spain was to put down opposition to his Continental System and even his disastrous invasion of Russia was certainly in part to compel the Czar to continue to adhere to his protectionist policies. As an English writer⁷ of the last century tells us, "It is well known that Napoleon Bonaparte . . . entertained a rooted antipathy to political economy. It was a saying of his that 'if an empire were made of adamant, the economists could grind it to powder.'"

In the meantime, the English were not doing much better. Getting one's daily bread had always been a great problem for ordinary working people. In 1770 a bushel of wheat cost an English laborer about five days' pay, but the war with Napoleon and bad harvests drove the price to the equivalent of nearly two weeks' wages in 1813. With famine upon them Parliament⁸ met and — you won't believe it — they increased the import duty on grain even more. The argument of the landed aristocrats who then ran England was that this increase would stimulate domestic production. Evidently, the English ruling class was as far

The question of questions for the politician should ever be — "What type of social structure am I tending to produce?" But this is a question he never entertains.

from Adam Smith's free trade doctrines in practice as Napoleon had been, whatever the former might think of the *Wealth of Nations*.

Speenhamland Poor Law of 1795

The English also stuck themselves with a disastrous poor law in 1795, a half dozen years after the Fall of the Bastille in Paris and just as Napoleon was emerging as one of the greatest military geniuses of all time. This new welfare arrangement led to difficulties beyond the maladjustments growing out of the protracted wars. England had had a problem of poor relief ever since the break-up of the medieval manors centuries before (it was local and less obvious then). The Church had tried to care for the needy until the Reformation and then the State was saddled with the responsibility. Elizabeth, whose father Henry had started the English Reformation, made the first systematic attempt to cope with the problem. New poor laws were passed from time to time to correct the maladjustments created by the last ones. One writer in 1622 thought

the root of the difficulty was the prevalence of monopolies:

This engrossing of Trade into few men's hands hath caused our home trades to decay, . . . to the utter undoing of all sorts of poor people in England, and the great damage of all his Majesty's loving subjects.⁹

A common explanation for the woes of the poor of England from the Sixteenth Century to the Victorian era is the enclosure movement, the change from a peasant-village-communal type of ownership to the landed estates of the aristocracy. The classic literary work growing out of this social and economic revolution was Goldsmith's *Deserted Village*, published in 1770. But there have been dissenters from this view, then and more recently. Probably few knew England at this time as well as John Wesley¹⁰ (he is said to have traveled the equivalent of nine times around the earth during his ministry and mostly on horseback), but he ridiculed Goldsmith and saw considerable progress all around him. It fascinated him.

Chamberlain,¹¹ drawing from Adam Smith's experience, empha-

sizes the advantages of enclosure: no one can or will improve his land or livestock until he has a deed to the property and a fence (hedge) around it. These are simply the facts of life. By contrast, the late Wilhelm Roepke¹² seems to have regarded the loss of England's peasantry as a misfortune and an unnecessary one at that. Comparing the decline of English agriculture in the last century with the phenomenal rise of Danish farming during the same period, he comments: "This decay overcame an agricultural system which had lost its strength, its vitality and its social soundness because it had lost its peasantry."

Whatever the cause of widespread pauperization — monopoly, enclosures, or even the rising factory system, as has often been suggested — the English had problems. With the Terror in Paris rising to new heights of ferocity, the English ruling class was profoundly uneasy and looking for instant answers. They thought they had found their panacea in an arrangement worked out by the justices of Berkshire in May, 1795, and generally adopted by the other counties of England, although never enacted by Parliament. The Poor Law of 1795 became known as Speenhamland, because the initial meeting was held in a village of that name.

The Right to Live

The new welfare system was a wage-supplement plan based on the "right to live" principle. If a family man could earn half a living, the government supplied the other half. If he earned nothing, he was completely on the dole. If he made enough to survive, he got nothing from the government. Details varied across the nation, but it was a comprehensive scheme with a "cost of living" escalator tied to the price of bread, additional benefits with more dependents, and all the rest. It sounds quite modern. As Karl Polanyi¹³ says, "No measure was ever more universally popular."

The "war on poverty" was won — all they needed now was to conquer Napoleon. Actually, the latter proved the easier foe to vanquish. He was defeated at Waterloo in 1815 and sent to Saint Helena. A severe postwar depression then added to the misery and havoc of the war. Poverty was still very much with them. Even those landed aristocrats, who had done well on the high food prices of the war era, now found they were land poor. No small part of the blame for the misery of this period, traditionally heaped on the manufacturers of the early Industrial Revolution, properly belongs to Napoleon — if he was responsible for the war with its destruction and

A famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconvenience of a dearth.

its subsequent economic crisis. Part of the problem also was this unfortunate Poor Law, as will be obvious as we examine its economic consequences.

Renewed Interest in Freedom

Perhaps it was too much to expect anything very constructive to come out of those long weary years of war; but with the return of peace Adam Smith's ideas began to be taken seriously once more, not just by intellectuals but by practical businessmen, too. In 1820, groups of merchants and manufacturers in both London and Edinburgh petitioned Parliament to remove the many restrictions on trade. A special committee appointed by the House of Commons to study the problem found eleven hundred regulations which hampered trade in various ways and recommended that they be abolished. While this was not done instantly, there were several reciprocal trade agreements negotiated with the neighbors in the next few years. Western Europe was definitely moving in the direction of greater freedom.

Another problem that sorely

needed attention in the postwar era was the hopelessly tangled labor situation. Ever since the Speenhamland welfare program was devised in 1795, England had sunk deeper and deeper in a hopeless quagmire. I have found no writer, left or right, who has had anything good to say for this Poor Law, although most everyone seems to have favored it at its inception. Polanyi, an avowed Socialist, expresses amazement that any laborer would work at all when he could get along quite as well without doing so. Evidently, someone worked a little. In practice, great numbers of laborers did a little work for an inadequate pay check which was supplemented by welfare payments, as we would call them. In fact, the employer expected his help to be on the poor rates because he didn't expect to pay them a living wage; neither did his laborers plan on doing a fair day's work for him.

The consequence of such a system was almost universal pauperization. Says Polanyi, "In the long run the result was ghastly," and he allows that at least part of the human and social degradation of

early capitalism should properly be attributed to the devastation wrought by the Speenhamland Poor Law of 1795. If it was that bad — and even the liberal *Encyclopaedia of the Social Sciences*¹⁴ insists that it “demoralized both employer and employed” — surely it should have been no problem to abolish it. Actually, laborers were sure they couldn’t live without it; and employers who were paying taxes to support the system were loath to have the law repealed because, after all, it did help to pay the hired man. Although never established by Parliament, it was finally abolished by Parliament in 1834, after the First Reform Bill had established a more democratic and responsive legislative body.

If people couldn’t live with the Poor Law, they couldn’t live without it. Hardly anyone had ever said a good word for the Speenhamland welfare arrangement, once they had seen it in operation; yet, there were anguished wails that its abrupt termination caused great hardship and unnecessary suffering. Perhaps the testimony of one who was close to the situation at the time may help us understand the problems of transition. Herbert Spencer, whose uncle was deeply involved in the relief problem, before and after repeal, tells us how the change came about in his uncle’s parish:

A late uncle of mine, the Rev. Thomas Spencer, . . . no sooner entered on his parish duties than he proved himself anxious for the welfare of the poor, by establishing a school, a library, a clothing club, and land-allotments, besides building some model cottages. Moreover, up to 1833 he was a pauper’s friend — always for the pauper against the overseer. . . . however, the debates on the Poor Law . . . impressed him with the evils of the system then in force. Though an ardent philanthropist he was not a timid sentimentalist. The result was that, immediately the New Poor Law was passed, he proceeded to carry out its provisions in his parish. Almost universal opposition was encountered by him. . . . My uncle, however, not easily deterred, faced all this opposition and enforced the law. The result was that in two years the rates were reduced from £700 a year to £200 a year; while the condition of the parish was greatly improved. “Those who had hitherto loitered at the corners of the streets, or at the doors of the beer-shops, had something else to do, and one after another they obtained employment;” so that out of the population of 800, only 15 had to be sent as incapable paupers to the Bath Union . . . in place of the 100 who received out-door relief a short time before. . . . some years later . . . , having killed himself by overwork in pursuit of popular welfare, . . . the procession which followed him to the grave included not the well-to-do only but the poor.

Several motives have prompted this

brief narrative. One is the wish to prove that sympathy with the people and self-sacrificing efforts on their behalf, do not necessarily imply approval of gratuitous aids. Another is the desire to show that benefits may result, not from multiplication of artificial appliances to mitigate distress, but, contrariwise, from diminution of them. [When the Speenhamland system was set up in 1795] . . . it was not expected that the poor rates would be quadrupled in fifty years, that women with many bastards would be preferred as wives to modest women, because of their incomes from the parish, and that hosts of ratepayers [taxpayers] would be pulled down into the ranks of pauperism. . . . the larger becomes its extension [the involvement of the State] the more power of spreading it gets. The question of questions for the politician should ever be — "What type of social structure am I tending to produce?" But this is a question he never entertains.¹⁵

What makes this quotation so interesting is the fact that, with minor editorial changes, one would assume it had been written last week — except that we haven't solved our problem yet. For the purpose of the present discussion, it is obvious that England could not have risen to the heights of prosperity and power a little later with a demoralized and pauperized labor force as the foundation of its national life. Certainly not the

least of the reforms which led to Victorian greatness was the liberation of the English laborer from a vicious system which destroyed all incentives to work and any reward for so doing. While no doubt the intentions of those who devised the Speenhamland Poor Law were the best, the results over nearly forty years had been, as Polanyi tells us, "ghastly."

The Anti-Corn Law League

The next chapter in the story of England's economic liberation was the famous "Repeal of the Corn Laws" in 1846. The Corn Laws were England's "farm program," a very ancient and miscellaneous category of laws passed from time to time to encourage the production of grain. Since bread is the "staff of life," the promotion of a sound agriculture took on the aura of a sacred duty, although opponents of the laws regarded them as a national swindle and insisted that people in general would be better off without them.

In his *Wealth of Nations* Adam Smith had a lengthy "Digression concerning the Corn Trade and Corn Laws" attached to the end of Chapter V, "Of Bounties." In fact, his digression is longer than the rest of the chapter. As might be surmised, he was opposed to those assorted interferences with the market. Early laws, he said, for-

bade the activities of what we call the "middle man," still the bane of farmers today, according to popular notions. There was deep public concern lest speculators should take advantage of the hungry masses in times of famine, so official attempts were made to keep this from happening. Smith¹⁶ was sure that such misguided efforts only made the crises worse: "... a famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconveniences of a dearth." Whatever he thought, the government had been busy for centuries with its panaceas and would continue its efforts for decades after his passing; the remedy of his day and the next half-century was an import duty on grain.

In the years following the publication of *The Wealth of Nations* the protection of English agriculture from foreign competition became increasingly unpopular. The landed aristocrats created a national scandal during the famine times of the later Napoleonic War period by increasing the tariff on grain when the price was already prohibitive, as has been mentioned. One would suspect that the general public never quite forgave them for that, and anti-corn law feeling continued in the early decades of the last century. In 1827

Colonel Thomas Perronet Thompson¹⁷ published his famous *Catechism on the Corn Laws*, a series of questions and answers which proved most revealing. Three years later Ebenezer Elliott, "the Bard of Free Trade," came out with his *Corn Law Rhymes* in which he contrasted the plight of the poor and hungry with the luxury of the "wicked monopolists" who conspired to hold up the price of bread by keeping out foreign grain. As trade was loosening up over those years, the tax on food became more and more odious to a lot of people. Organizations began to be formed to combat the tariff on grain. When a severe financial crisis made a chronic ailment into an acute affliction, the long-standing opposition to the grain duties began to snowball into a national movement: the famous Anti-Corn Law League was founded in Manchester in 1839. John Bright and Richard Cobden swiftly emerged as the leaders of the movement and England was off on another exciting crusade.

To understand the Anti-Corn Law agitation of the next seven years one must know something of the context in which it happened. On the intellectual side it can be said that the seed planted by Adam Smith and nourished by a host of later disciples — scholars, statesmen, the clergy, businessmen,

While a given political or economic arrangement can be imposed by force or fraud, people tend to get about the system they deserve.

schoolteachers and ordinary citizens — had grown, matured, and was now ready to blossom and bring forth fruit. While a given political or economic arrangement can be imposed by force or fraud, people tend to get about the system they deserve.

Britain had been moving in the direction of laissez faire economics for decades, because a lot of people felt that this system was *right* in the absolute sense, the same as the multiplication tables or Newton's Law of Gravity. Still, man tends to let things go if he can and not change unless the situation gets out of hand so that some sort of readjustment must be made. In the next several years a series of calamities provided the motivation for change, and the free traders were there to capitalize on the situation.

The first of these crises was a serious and widespread economic depression. We in America had our share of it too, the famous Panic of 1837, and no doubt we helped to make it happen. Our "wild cat" financing of a host of internal improvements before the crash, projects in which a lot of foreign cap-

ital was invested, resulted in severe losses for English investors who bitterly resented the repudiation of American bonds. After the state of Pennsylvania defaulted on her obligations, one wit writing in the *Edinburgh Review*,¹⁸ ". . . remarked that whenever he met a Pennsylvanian at dinner in London he wondered that nobody carved him up and served him in slices to every Englishman present."

Of course, the depression resulted in widespread unemployment and much suffering, but John Bright, a textile manufacturer, seems to have blamed the English Corn Laws for much of the distress. Even the drastic decline in the sale of flannel to America, which put a lot of English textile workers out of work, Bright blamed on British policy. He said the Americans were just retaliating against British discrimination against grain from the United States. While he allowed that the Corn Laws were not to blame for everything, he insisted that their repeal would go far in solving a lot of other problems. A host of people across the

nation shared his views. The problem now was to change the law. Before this was done, however, even worse calamities were to come.

"The Battle of the League"

What Bright's biographer¹⁹ has called the "Battle of the League" is an interesting study in how to win political friends and influence legislators. They tried every legitimate technique known to politics and then available. They distributed literally tons of tracts: "...as many as three and a half tons of tracts were delivered from Manchester in a week."²⁰ The ladies had tea parties, and Anti-Corn Law League bazaars were held which were more of "the character of a great art Exposition than of a mere bazaar;" here customers could buy "free trade handkerchiefs, anti-corn law breadplates and teapots and anti-monopoly pin cushions." A great conference of the clergy was held at Manchester and many ministers began to preach that the corn laws were "anti-scriptural and anti-religious, opposed to the law of God."

Since Bright himself was a devout Quaker and thought in Biblical terms, this is just the way he wanted it. It was easy for cynics then and since to see in Bright's efforts a thinly disguised effort

to promote his own interests and those of the business community, but this is hardly fair to him. He was no hypocrite. He could be as staunch for what he believed was right when he had nothing to gain and everything to lose. For instance, he was bitterly opposed to the Crimean War a decade later and on principle, although his stand made him enormously unpopular and caused him to lose his seat in Parliament. He was quite prepared to suffer for his beliefs. When Bright found free trade in the Bible—"As a nation of Bible Christians, we ought to realize that trade should be as free as the winds of heaven"—he meant it, and his own sincerity and deep convictions were convincing:

. . . he refused to separate the spheres of morality and politics. Moreover, he did all this at a time when the mood of the informed men of the age disposed them to prefer subtle calculations of political expediency to adherence to general principles of conduct.²¹

The Biblical and moral arguments carried great weight with a lot of people who had helped to abolish slavery throughout the Empire a dozen years earlier, but those who were not swayed by the ethical approach found Richard Cobden's facts convincing. He also was in Parliament and, if less elo-

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord.

quent than his friend, he was still a formidable foe of protectionism. In March, 1845, Robert Peel, then Prime Minister, was listening to one of Cobden's long factual speeches when he crumpled up his notes and remarked to a colleague sitting next to him, "You must answer this for I cannot."

Although Peel had greatly liberalized trade three years earlier, this was not enough to placate the League, particularly since the Corn Laws were still on the books. Cobden was now certain that the Prime Minister was quite ready to go the whole way, if he could just find a suitable opportunity. His chance came swiftly in the form of a natural calamity, the tragic Potato Famine in Ireland. That country was seriously overpopulated, desperately poor and excessively dependent on potatoes so when the crop blighted and rotted in the ground in August of 1845, famine was upon them. Estimates have placed the loss of life²² as high as two and a half million people over the next few years. Clearly, limitations on food imports were indefensible in such a situation. Parliament met in spe-

cial session in January, 1846, and Robert Peel recommended the repeal of the Corn Laws. After months of bitter debate, the bill became a law in June of the same year. As John Bright said, "Famine itself, against whom we fought, took up arms in our behalf." At long last the duty on grain — the tax on bread as the League was wont to call it — was abolished.

While the repeal of the Corn Laws did not result in complete freedom of trade, Britain continued to move in that direction so that by 1860 she had arrived. The Navigation Laws and Usury Laws had also been repealed. "Laissez-faire had reached in Great Britain the culminating point," wrote G.D.H. Cole,²³ the Fabian Socialist, and he then proceeds to describe the rapid growth of British trade. Freedom was the fashion and it proved profitable too. Even Lord Keynes²⁴ speaks of the late Victorian era as an "economic Eldorado," an "economic Utopia." Another writer says,²⁵ "In our own unpleasant century we are mostly displaced persons, and many feel tempted to take flight

into the nineteenth as into a promised land, and settle there like illegal immigrants for the rest of our lives." While returning to the past is clearly impossible, if desirable — they had their problems and we have some very real advantages too — still the question remains whether we could regain the best of their world and graft it on to the best of our own. Let us examine this possibility.

Return to Freedom

I shall not attempt to predict just how we are going to straighten things out; like Amos of old, I'm "no prophet, neither a prophet's son." Nevertheless, I think we can get some idea how it might happen from the British transition to free enterprise as described in this article. Of course, it is notoriously hard to turn a nation around once it is launched in a given direction — particularly if it is down hill. Tocqueville²⁰ comments on this tendency: "The machine once put in motion will go on for ages, and advance, as if self-guided, towards a point indicated beforehand." Another Frenchman a little earlier, Louis XV, remarked cynically as the Old Regime of France was hastening to its fall, "Let the good machine run itself. It will last our time. After us, the deluge." Louis XVI was swept away by that de-

luge, but freedom did not come to France in spite of the slogans of the Revolution. Chamberlain²⁷ remarked a few years ago that, since "politics tends to go by ratchet-action" in a democracy, the time may come when the situation becomes so snarled and tangled that a nation "may be lucky . . . to lose a total war totally," provided they are conquered by a magnanimous foe and have "a Roepke serving as advisor to the Ministry of Economics, not a John Maynard Keynes." That is a long string of "ifs" and the hazards are great if you are not that lucky. The English escaped the equivalent of the French Revolution nearly two centuries ago but found their way, falteringly but surely, toward the desired goal, a peaceful revolution of freedom. Judging by the British experience, a nation needs an intellectual elite which believes in liberty (let's hope we are building that now); a general population which is weary of the endless and stifling restrictions of mercantilism (many of our people are getting tired of the pretensions and high cost of big government); and crises which afford the possibility of a choice (and all nations have those, particularly the omniscient state which attempts more than anyone can accomplish).

Actually, setting up the free

system is remarkably easy, when the opportunity comes. Communists admit they have never even approximated the Marxian blueprint and their government isn't "withering away" today any faster than ours is. No such difficulty was experienced after 1846 for, as Adam Smith²⁸ says, "All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord" — if people are just wise

enough to let it happen. Let us, therefore, be busy at the educational task as our first priority. It is well to remember that it was a familiar maxim in England for two decades before the Corn Laws were repealed that "the schoolmaster now walks abroad in English politics." We then need to seize every opportunity which crises afford and, most important of all, ". . . let us not be weary in well doing: for in due season we shall reap, if we faint not." (Galatians 6: 9) Ⓢ

• FOOTNOTES •

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5 John Chamberlain, *The Roots of Capitalism*, p. 23.

6 *Ibid.*

7 Henry M. Hoyt, *Protection versus Free Trade*, p. 72.

8 Robert L. Heilbroner, *The Worldly Philosophers*, p. 73.

9 Vernon A. Mund, *Open Markets*, p. 79.

10 Umphrey Lee, *The Lord's Horseman: John Wesley the Man*, p. 172.

11 Chamberlain, pp. 12-14.

12 Wilhelm Roepke, *The Social Crisis of Our Time*, p. 245.

13. Karl Polanyi, *The Great Transformation*, pp. 77-79.

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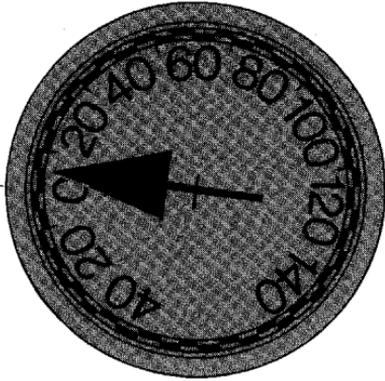
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5° Above Zero

W. A. PATON

THE CITY GOVERNMENT in my home town took over the chore of collecting garbage and trash several years ago. Previously this chore was largely taken care of by scores of small operators, keenly competitive. I never had any difficulty in having my garbage, ashes, waste paper, brush from tree trimming, leaves, and other refuse removed promptly and efficiently. The private operators had no special requirements whatever as to packaging, arranging, or locating the rubbish to be carted away. There was no rigid schedule of removal dates; the operator came when the individual householder asked him to come, and where a time of col-

lection had been agreed upon it could be altered by a telephone call.

When the City took over waste collection there was an immediate decline in the quality of the service. The fixed schedule set by the Department of Public Works provided less frequent service than some families desired, but of course no special collection times could be arranged. Moreover, from the outset there have been frequent deviations from the announced schedule. Requirements as to the householder's procedure became more complex and rigid as time went on. Under one early rule ashes had to be sacked and placed in the garbage cans, instead of being left on the back porch in cartons or other disposable containers. Branches and

Dr. W. A. Paton is well enough known in the United States and abroad for his work in Accounting and Economics—and well enough known among local garbage collectors—that there's no need to mention his home town.

other brush must now be cut up and placed in sacks of specified size (a very inconvenient, time-consuming procedure). Pebbles and stones will not be removed under any circumstances. Burning paper — or anything else — on the premises is now prohibited, regardless of care and safety precautions taken. The fancy trucks used by the City are large and costly, and equipped with lifts to spare the backs of the accompanying staff. The lifting apparatus is very noisy, being easily heard for a quarter-mile or more. Recently all citizens received a printed document which set forth the rules and directives of the "new refuse collection system" as follows:

NEW PROCEDURE

On the day of collection a two man set-out crew will bring your refuse containers or tied plastic bags from the back yard to the curb.

Several hours later a drive-collector will come by and place the refuse in the truck. He will serve one side of the street at a time.

After collection, the resident must bring his containers back from the curb to the back yard. If the resident uses tied plastic bags, only the bags will go to the curb and he will have no containers to retrieve.

Plastic bags should be a 2 mill bag such as the Fire Department has for sale.

On the day of collection the containers or tied plastic bags should be in one location, either behind the house, along the side of the house, outside the garage, or at the curb.

Keep your driveway clear!

The combined weight of each individual container and its contents cannot exceed 50 pounds.

Refuse should be available for collection by 7:00 a.m. If your refuse is NOT collected by 4:00 p.m. on your assigned day, please call City Hall, 761-2400 extension 257 so provisions for pickup may be made.

No animal waste will be picked up.

When a collection day falls on a holiday, the schedule for the remainder of the week will be one day late, and the extra day will then be made up on Saturday.

These requirements, with the new feature of a "set-out crew," will obviously make the collection process more complex, more drawn out, and will justify more staff. Note the preemptory "Keep your driveway clear!" No private concern issues such orders, and not even the U.S. Post Office has gone that far. For how long, one wonders, must this be done on the specified day, and must the householder stand guard for hours to make sure the driveway is completely free of cars or other obstacles? Note, too, the arbitrary weight requirement. To be sure that this rule is observed must the householder acquire scales

and weigh all cans and sacks used, and perhaps leave some half-filled, where heavy materials are involved? And what is the homeowner supposed to do with the dog dung littering his yard, deposited by roving animals that find the location attractive for the purpose? A side effect of the new rules, already much in evidence, is a marked increase in cans and bags along our streets for lengthy periods, as a result of the difficulty many find in meeting the 7:00 a.m. deadline plus the hours of delay before the truck arrives to make the collection plus the delay — often for several days — before the resident gets around to removing the empty cans from the curb area. The net result is unsightly streets, all over town — visual pollution, to say the least. And empty garbage cans left standing in driveways by the collectors are a nuisance, and may be a hazard, especially after dark.

Like It or Lump It

As almost goes without saying, the city government took over the waste collection business without asking for any advice from individual citizen customers. Moreover, in establishing rules, including those of the “new system,” the people served were given no opportunity to express their opinions. I should add that we are not

as yet prohibited from engaging a private rubbish collector, if we can find one — but such action will not reduce the levy for “utilities” service, or the bills for taxes.

The winter of 1971-72 in southeastern Michigan was not characterized by extremely low temperatures, but we did have quite a lengthy spell when the thermometer registered from a bit below zero to 5° above. During this period the refuse collection staff of our Public Works Department calmly announced that they would not report for work on days when the temperature was “5° above zero” or less at the regular reporting hour. And the gang maintained this position all winter, despite a few mild protests from citizens here and there. In my own case my garbage was not touched for one stretch of three successive weeks. I was reminded of the times on the farm when we attended to the chore of milking the cows when the outdoor temperature stood at 20° below, with the thermometer inside the stable door hovering around the zero mark. I suppose this was not in line with good modern practice regarding working conditions.

Why the Popular Support?

One of the signs of the times that continues to puzzle me is the attitude of some people in my

neighborhood regarding the sphere of government activity. Despite their personal, first-hand experience with the very objectionable system of municipal garbage and trash collection, many still clamor for more and more interference by government, at all levels, with private business operation, including outright takeover in some fields, and are vociferous in their support of the programs of nationally known "consumer advocates" and other critics of the automobile companies and business corporations generally. They also tend to applaud the continuing barrage of attacks on business — in and out of the legislative halls — by office-holders and candidates with strong socialistic leanings.

Another, and more widespread, attitude to be observed is the indifference, and lack of complaint, regarding the inefficiencies and failures clearly in evidence in fields where government has long been in complete charge. This posture is found among those somewhat sympathetic to private enterprise, as well as among the muddled critics of business and the outright socialists. The realization that it is well-nigh useless to try to induce government offi-

cial to mend their ways probably has a bearing. Here I'm reminded of the history of our local water service. Years ago this service was provided by a quasiprivate concern, and there was no lack of criticism and complaint. And that the water company took considerable heed of dissatisfaction, even in the case of the specific patron, was obvious. Finally, in line with the trend across the country, the municipality acquired the company's facilities. From that time on the desires of the individual customer have been completely ignored with respect to water sources, softening, additives, temperature, extensions, and so on, as well as the important matter of rates charged. And the tendency to complain, ask for improved service, and urge lower rates, has gradually faded to the vanishing point.

From time to time, in contemplating the current scene, I get to wondering what it will be like if and when we abandon the free market entirely, and adopt the complete socialist program. What will the Naders and other malcontents do when there are no private business activities left for them to bedevil? 

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

15

The Critical
Period

AMERICANS established weak governments after they separated from England. Indeed, the governments were weakest at the points requiring greatest strength, namely, in the conduct of relations with foreign powers and in the executive branch. It is easy to understand and sympathize with their reasons for establishing weak governments. Government, any government, has the potential for tyranny. Its monopoly of the use of force within its jurisdiction tends to make those under it impotent in conflict with it. Men are drawn to it by the opportunity it offers for the exercise of power, and the likelihood of the abuse of power is almost as certain as death and taxes. Why not, then, guard against these potentialities becoming actualities by keeping government weak? Let the power reside mainly in the people, and make those in government come hat in hand frequently asking for what they need. Why not, indeed?

Because, in the first place, the attractiveness of a weak government to the law abiding is based largely on illusion, the illusion that weak is synonymous with limited and restrained. It is not; it is synonymous with impotent, frail,

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and lacking power to perform allotted functions. Government maintains peace by having the respect of the decent, holding the irrational in awe, and intimidating the lawless. A weak government is more likely to be arbitrary, capricious, and even despotic than a strong one, for the uncertain status of its ability to use force leads to unpredictable usages. It was the weakness of the Congress which set the stage for its inflationary policies. The weakness of state governments resulted in arbitrary practices for raising supplies for the army during the war. A weak government is prone to preying on the weak — those who most need its protection — and this penchant is probably aggravated by popular governments which are continuously seeking popular support. The treatment of Loyalists by the state governments during and after the war is probably a case in point. Above all, weak governments invite challenges to their authority which, when brought forth, result in war or revolution. How critical the situation was in America in the mid-1780's is and will remain in doubt, but the portent of crisis follows necessarily from the condition of the governments.

That the state governments were weak as well as the Congress is revealed by analysis. Governors

were made nearly impotent by their dependence on the legislatures. Legislatures had considerable power of making laws, but they were not charged with executing them. The Congress established by the Articles of Confederation had little power at all. It was charged with major responsibilities, yet it had no independent executive, no courts of its own, nor any direct sources of revenue. Moreover, the members of Congress were made so dependent upon state legislatures for their tenure that they were most reluctant to act.

A Lack of Continuity

The bane of republics is a lack of continuity of government because the government changes hands so often. Each election may bring a new set of rulers. Monarchy does not suffer much from this defect, but it has others which disqualified it for Americans. The constitution-makers of the revolutionary period aggravated the discontinuity attendant upon republics. Not only did constitutions frequently call for annual elections but also there were sometimes limitations on how frequently within a period an individual could serve. Members of Congress had no assurance of continuation from one session to the next or even that they might not be re-

called during a session, and were prohibited to serve more than a portion of a given period. It was difficult, in these circumstances, for the governments to have even that continuity which they can have in republics. It is true, of course, that it was virtually impossible for one man to gain much power, but it was equally difficult for him to exercise governmental authority.

Foreign Relations

The greatest weakness of governing power was in conducting relations with foreign countries. The responsibility devolved upon the Congress for carrying on these relations, but that body did not have the power to compel the acceptance of its decisions. It had no courts dependent upon it with authority to act upon the people. There was talk that Congress might use force upon states, but such a measure would have been war. The states had more powerful governments than did the Confederation, but they lacked authority to conduct foreign relations.

By their grants of power to their governments, it is clear that Americans did not sufficiently appreciate the necessity for some government exercising the powers that the British had during the colonial period. A good case could

be made that this was true regarding trade restrictions, but the failure to empower a government to deal effectively with foreign nations was like burning down the barn to get rid of the rats if what they opposed was mercantile regulations.

That Congress was almost impotent in dealing with other nations does not have to be concluded from theory alone; history affords examples enough. Nowhere was the weakness clearer than in relations with England. John Adams became minister to the Court of St. James in 1785. He hoped to obtain a commercial treaty with Britain that would open British colonial ports to American ships. But he found the government there unwilling to make any concessions, almost contemptuous of the usefulness of any agreement with the Confederation, and well satisfied with commercial relations as they stood. Instead of being able to make new agreements, Adams found himself occupied with questions surrounding the terms of and compliance with the Treaty of Paris of 1783.

Enforcement of Treaties

The British reproached the United States through Adams with not complying with the terms of the treaty. The treaty required Congress to recommend to the states

that the rights of Loyalists be restored. (This had been a concession by the United States, since the British were not committed to nor did they make reparations for damages done by their armies or Loyalists in the United States.) Congress did, indeed, make such a recommendation to the states, but some of the states were more inclined to further retaliation, and none of them was favorably disposed to full restitution for Loyalists. Technically, Congress had complied with the terms of the treaty, but the failure of the states to heed their recommendation pointed up the weakness of the Confederation. The treaty also specified that the states would not hamper or impede the collection of debts by British citizens. One history says: "There is no doubt that this article was violated both in letter and spirit. Virginia, where the debts were heaviest . . . , led the way in passing laws hampering the recovery of British debts."¹ Congress was, of course, powerless to do anything about the state recalcitrance.

American compliance with the treaty was made the more pressing, because the British used it as an excuse for failure to comply in the Old Northwest. They had several military posts on the American side of the Great Lakes. Contrary to the treaty provisions, they

did not evacuate them; instead, a secret order to hold them indefinitely went out in 1784. Though the posts themselves were peripheral, they provided bases for the British to exercise influence on Indians in American territory and for carrying on a lucrative fur trade.² This increased the difficulty of making white settlements in the area and, thus, of the sale of lands by the Confederation.

Difficulties with Spain

Difficulties with Spain were, if anything, more pressing than those with Britain. Trading privileges were not at issue, for Spain had opened up her most important colonial ports to America. The major issues were the location of the boundaries between the United States and Spanish territory to the south and west, and navigation and use of the Mississippi and ports on it. The difficulty arose out of differences in claims and designs on the old Southwest between the United States and Spain. Spain had lately reacquired Florida, which included at that time a West Florida extending all the way to the Mississippi. Spain continued its historic claim to the vast territory west of the Mississippi. These territories gave Spain control over the gateway to the Gulf of Mexico. The fact that Britain had ceded territory to the

United States did not greatly impress the Spanish, particularly when these same British were clinging to their own posts to the north in defiance of the treaty.

In 1784, Spain concluded treaties with Indians within the territory of the United States. Moreover, Spain held onto a military post at Natchez which had been acquired during the war but which was now within the treaty territory of the United States. Spain also made private agreements with Americans for the use of the Mississippi ports and was working to undermine the allegiance of those west of the Appalachians to the United States. It was the position of both Britain and the United States that navigation of the Mississippi River was free to all, but Spain did not recognize this position. Nor would Spain grant the right of deposit of goods in New Orleans — a right essential to the effective use of the Mississippi — to the United States.

The Mississippi and Trade

Of course, the use of the Mississippi was an absolute requirement for the commercial development of the trans-Allegheny region of America. The expense of transporting freight from the west to the east overland was prohibitive; only lightweight cargo of very high value could even be consid-

ered worth transporting in this fashion. Even so, settlers poured into this area in increasing number in the 1780's from the older states despite the fact that, as matters stood, they must either switch their allegiance to Spain or be denied the opportunity of developing the country. John Jay conducted negotiations over a considerable period with the Spanish diplomat, Diego de Gardoqui, but the United States had little to offer and the Spanish little to fear from the continuation of the deadlock. Jay saw little hope for settling the dispute favorably to the United States by negotiation and was entirely unenthusiastic about a recourse to arms. "For," he said in 1786, "unblessed with an efficient government, destitute of funds, and without publick credit, either at home or abroad, we should be obliged to wait in patience for better days, or plunge into an unpopular and dangerous war with very little prospect of terminating it by a peace, either advantageous or glorious."³

Barbary Pirates

Not all the difficulties of the Confederation were with European countries; those people commonly called the Barbary Pirates along the African coast of the Mediterranean disrupted trade in a particularly distressing way.

Several Moslem principalities, or whatever they should be called, had long preyed on shipping in the Mediterranean. Countries who wished to avoid their depredations were expected to pay bribes. Once the Americans cut themselves loose from British protection, they were exposed to these pirates. Algeria went to war with the United States, or so rumor had it, seized two American ships, and enslaved their crews. The enslaved Americans "were forced to carry timber and rocks on long hauls over rough mountainous roads."⁴ Congress offered to ransom the sailors, but the amount they could and did offer was too small. A "diplomat" from another principality approached the United States with the proposition that the harassment of shipping would cease if tribute in sufficient amount were paid. As things stood, however, the United States could neither afford to pay tribute nor assemble the necessary force to suppress the pirates.⁵

Financial Problems

Many of the troubles of the Confederation can be traced to financial difficulties. These were frequently tied in and contributed to the ineffectiveness in dealing with foreign nations. A country that had repudiated its currency at the outset and whose diplomats had to

go cup in hand, as it were, to other nations seeking funds was hardly in a good bargaining position. There were, of course, domestic as well as foreign consequences of the financial shambles of the Confederation.

The methods used to finance the war had left not only a debt (despite the repudiation of the currency) but also a legacy of consequences which many do not ascribe to the inflation. Inflation through the year of 1780 was followed by a drastic deflation. There is no mystery about the cause of the deflation; when the tender laws were removed the Continental paper ceased to circulate as money. Much the same thing happened to the paper money that had been issued by the states during the war. Specie replaced the paper as currency, but there was much less of it than there had been of the other. Prices then had to be adjusted downward to make trade feasible in the new currency. The supply of currency was further depleted when trade with Britain was resumed, for the United States had an unfavorable balance. Americans still showed a marked preference for British goods and large quantities of them were imported, but the British did not buy goods of nearly the same value from Americans. There had long been an imbalance between

the two, but it was worse now because the British would not allow Americans to make up the difference by carrying goods to British possessions. "The result was that within a year or two after the war, . . . there was a dearth of both paper money and hard money."⁶

Consequences of Inflation

A drastic deflation produces, or *is*, what is most commonly called a depression. The deflation itself can be correctly described as a healthy corrective to the inflation that preceded it, a return to sound values from the grotesquely inflated situation that disrupted the market. Depressions, on the other hand, are universally deplored, at least in our time. Nor is this so strange, for although prices can be adjusted to the monetary situation, the same can hardly be accomplished regarding obligations contracted during the inflation. Prices fall, money is hard to acquire, yet debts remain to be paid. As an historian writing about these times said: "Hard is the lot of one who, burdened with taxes and debts and destitute of cash, is beset by falling prices of the things he makes and sells."⁷

Historians differ as to the extent, depth, and impact of the depression of the 1780's. Some hold that it deepened and worsened in

the latter part of the decade.⁸ One historian, at least, cites considerable evidence that economic conditions were greatly improving after 1785.⁹ For example Benjamin Franklin wrote in 1786: "America never was in higher prosperity, her produce abundant and bearing a good price, her working people all employed and well paid, and all property in lands and houses of more than treble the value it bore before the war; and our commerce being no longer the monopoly of British merchants, we are furnished with all the foreign commodities we need, at much more reasonable rates than heretofore."¹⁰ George Washington wrote in a similar vein in 1787: "In the old states, which were the theatres of hostility, it is wonderful to see how soon the ravages of war are repaired. Houses are rebuilt, fields enclosed, stocks of cattle which were destroyed are replaced, and many a desolated territory assumes again the cheerful appearance of cultivation."¹¹

Suffering Debtors

The truth seems to be that some people were in distress, and some were prosperous. That is not an earthshaking conclusion, because much the same can be said at any time. But those not doing well at this time were frequently hurt in

one way or another by the legacy from the war. Those who had gone into debt to buy real property on long terms during the inflation were undoubtedly often hard put to pay off in the much scarcer money that was now being used. For example, in Worcester County in Massachusetts, there were over 2,000 suits taken to court for recovery of debt in one year.¹² Americans had not only to adjust to a reduced money supply but also to a new trading situation after the break from England. To many, the new situation provided new opportunities, but others tried to cling to and make a go of the old relations (particularly was this true of trade with England). The states were generally deeply in debt from the war, and some of them attempted to begin to retire their obligations by levying taxes. This could be particularly hard on those who owed debts for their land and had to pay high property taxes as well.

These things are relevant to a mounting crisis in the United States because they were the occasion for pressures on the governments to do something about them. Some of the functions people were accustomed to have government perform were either not being performed or were irregularly performed. Americans had not only a legacy of mercantilism

but also of monetary manipulations. Debts, taxes, and trade regulations plagued the new governments. There was not even a standard currency throughout the United States.

Coinage and Exchange

When the Continental and state currencies were repudiated, people used coins primarily for a medium of exchange. There were few minted in America during this period, so that foreign coins circulated mostly: "English, French, Spanish, and German coins, of various and uncertain value, passed from hand to hand. Beside the nine-pences and four-pence-ha'-pennies, there were bits and half-bits, pistareens, picayunes, and fips. Of gold pieces there were the johannes, or joe, the doubloon, the moidore, and pistole, with English and French guineas, carolins, ducats, and chequins."¹³ In addition to the difficulty of calculating the respective value of each of these coins, there was the complication that coins were frequently worn or clipped. A man who accepted one of the latter at full value might have it discounted when he tried to use it. Americans did not have a medium of exchange; they had media through which exchanges of money for money were almost as precarious as exchanges in goods and were using coins

whose sovereigns could not regulate and over whom Americans had no control.

There was hardly any reason, however, for the citizenry to have any confidence in the monetary actions of the Congress, nor, for that matter, of the legislatures of the states. Not only had the Confederation repudiated its currency, but the debts which it still recognized were poorly serviced. The total debt of the United States at the end of the war, foreign and domestic, was about \$35,000,000. Far from being retired, it continued to grow. By way of requisitions from the states, Congress received \$2,457,987.25 in the period from November 1, 1781 to January 1, 1786. This was barely enough to pay current expenses for the government.¹⁴ Robert Morris sent along this comment when he resigned as head of the treasury in 1783: "To increase our debts while the prospect of paying them diminishes, does not consist with my ideas of integrity. I must, therefore, quit a situation which becomes utterly insupportable."¹⁵ Those who succeeded him may have had less integrity than he professed, but they were hardly better supplied with money.

Inadequate Power to Tax

It was commonly held that the greatest deficiencies of Congress

under the Confederation were the lack of the power to tax and the inability to regulate trade. There should be no doubt that the lack of the power to tax made the Congress almost impotent to perform the functions allotted to it. As to trade, Congress was almost powerless either to regulate or to prevent the states from doing so. Whether trade needed regulating was debatable, but if it did, a strong case could be made against the states doing it. Indeed, some states undertook to set up tariffs and to discriminate against ships of other lands, particularly those of England. But it was exceedingly difficult for states to set rates which would accomplish even those dubious advantages supposed to follow from them. If the tariffs were too high, in comparison with those of surrounding states, goods might come into the state from ports of entry located in other states. If imported goods were finally consumed in another state from the one imposing the tariff, the state was actually levying taxes on citizens of other states.

State Barriers to Trade

The regulation of trade by the states worked against a common market for all the United States and threatened to turn some states against others. John Fiske described the situation this way:

Meanwhile, the different states, with their different tariff and tonnage acts, began to make commercial war upon one another. No sooner had the other three New England states virtually closed their ports to British shipping than Connecticut threw hers wide open, an act which she followed by laying duties upon imports from Massachusetts. Pennsylvania discriminated against Delaware, and New Jersey, pillaged at once by both her greater neighbours, was compared to a cask tapped at both ends.¹⁶

Trade discriminations sometimes lead to war. Not only was there the possibility that one American state might go to war against its neighbor but also that discriminations against or by foreign countries might lead some country to go to war against a state. In such a case, the United States would be drawn into the war, for the authority to make war was vested in Congress. To say the least, the situation was anomalous.

It is strange, but true, that the events which finally provoked Americans to do something about the union did not directly involve the Congress and its ineffectiveness. Perhaps it is not so strange on reflection, for Congress rarely did anything. The failure to act may be indictable, but I think it would be hard to get a jury to convict. Congress presented a low silhouette to its critics. True, it

repudiated its currency, could not pay its debts, could not force the states to meet their quotas, could not protect its citizens abroad, and did not do most of the things it was authorized to do with much energy. But, then, it seldom gave offense, and people spread over a vast land were more used to opposing government action than seeking it. It is most probable that if some crisis had swept the Congress away it would have gone with a whimper rather than a bang. In our day, we have seen exile governments seeking a country to govern; the United States was an exile country awaiting a government.

Trouble in Rhode Island

It was trouble in New England in 1786-87 that aroused fears which prompted men to action. Paper money, taxes, and debts were the occasion of challenges to some state governments. Most states were under pressure to make paper money issues. Seven had done so by 1787 but, as might be expected, there was considerable opposition to such actions. Rhode Island not only issued paper money but revived harsh methods to try to make it circulate. Faced with fleeing creditors and merchants abandoning the state, the "legislature passed an act declaring that anyone refusing to

take the money at face value would be fined £100 for a first offense and would have to pay a similar fine and lose his rights as a citizen for a second."¹⁷ When the act was challenged, the court declared its opinion that the act was unconstitutional. The judges were called before the legislature, interrogated, and some of them dismissed. Rhode Island's government was viewed with contempt by many Americans.

Shay's Rebellion

Rhode Islanders would probably have been left to suffer the disadvantages of their own government or get out—the latter was becoming an attractive option—but it was not easy to take so sanguine a view of events in Massachusetts. There was widespread dissatisfaction with the foreclosures on farms and imprisonment for debts. Some of the discontented wanted a moratorium on the collection of debts and/or paper money to be issued. Taxes were also levied in such a fashion as to arouse resistance to their collection. The discontent may have been agitated by British agents; certainly, money was made available for the discontented to use to take action, though who was behind this was never definitely established.

Overt action came when mobs

began preventing courts from sitting. Beginning in early September of 1786, a succession of courts were disrupted and prevented from conducting business by large groups of armed men: at Worcester, at Concord, at Taunton, at Great Barrington, and at Springfield. The legislature did not take the desired action, and a rebel force was organized. The climax of these events came in January of 1787. It is known as Shays' Rebellion, taking its name from one of its leaders, Daniel Shays. Massachusetts authorized an armed force to put down the rebellion, and the rebel force was dispersed on January 25. New Hampshire was threatened by a rebel force, but the movement was quickly put down by decisive action by Governor John Sullivan who had been a general during the late war.

Constitutional Convention Called

The call for a convention to deal with constitutional matters had been issued prior to these events. It came from some delegates to what was supposed to have been a convention at Annapolis in 1786. The convention was supposed to have dealt with commercial matters, but it lacked a quorum of states, so a call was issued for a more general convention for next year. It did not take Shays' Rebellion to awaken some Americans to

the need for constitutional revision.

Anyone who wanted a government for the United States could see that Congress was not supplying it. "Between October 1, 1785, and January 31, 1786, Congress had a quorum on only ten days, and never were more than seven states represented. Between October 1, 1785, and April 30, 1786, nine states—the minimum required to do any serious business—were represented on only three days."¹⁸ As mobs began to intimidate courts in Massachusetts, one historian notes that "the Congress

of the United States had likewise ceased to function."¹⁹ As the riotous events moved to their culmination in early 1787, one state after another elected delegates to the Constitutional Convention. Finally, even Congress acted by recommending to the states that they send delegates. The fear of the rebellion spreading had apparently tipped the scales.

The site of the convention was Philadelphia, the time appointed to convene May 14, 1787, and the object was to contrive a government adequate to the common tasks of the United States. 

• FOOTNOTES •

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4 Curtis P. Nettels, *The Emergence of a National Economy* (New York: Holt, Rinehard and Winston, 1962), p. 67.

5 *Ibid.*

6 Merrill Jensen, *The New Nation* (New York: Vintage Books, 1950), p. 303.

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15 *Ibid.*, p. 51.

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Natural Rights

RONALD COONEY

THE CONCEPT of natural rights no doubt has its origin in the Roman Stoic idea of a "law above the law," of an unwritten law which precedes and is superior to man-made law. Christian philosophy, in the persons of St. Augustine and St. Thomas Aquinas, developed and refined the natural law idea, and it was a significant tenet of the eighteenth century Enlightenment. The doctrine has come down through the centuries as one of the major arguments against arbitrary and unrestrained governmental power.

In much the same way is the belief in the natural rights of man a belief in "rights above rights." Likewise, natural rights have been used in the resistance to unjust authority. Natural rights were partial justification for the Glori-

ous Revolution of 1688, for the American Revolution (the Declaration of Independence cited man's "unalienable rights"), and for the French Revolution and the Declaration of the Rights of Man. All of the revolutions since the eighteenth century have drawn at least some of their power from appeals to natural rights.

The connection between natural rights and natural law is instantly recognizable. Both exist prior to the State, and both transcend it. Natural law, like the law of the State, provides protection for the individual's rights from violation by another individual, or — and this the State does not do — by the State itself. Natural rights and natural law are the final arbiters of liberty. Finally, natural rights and natural law are both denied by those who exalt the State over the individual citizen, those who

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make the State all and the individual nothing. It is to this, as it is to all forms of Statism, that natural rights make a direct and implacable challenge.

A Dictatorial Delusion

The common delusion of the defenders of unlimited governmental dominion is that the State confers upon the individual whatever political and economic rights he may enjoy. This was certainly the view of Thomas Hobbes, the defender of absolute monarchy and the author of the *Leviathan*. Hobbes, in 1651, argued for the complete sovereignty of the king as ruler and lawmaker. Hobbes sought to repudiate natural law by placing it on equal terms with the civil law. He states in the *Leviathan*, "The law of nature and the civil law contain each other, and are of equal extent." In other words, natural law (and by extension, natural rights) is as high as, *but no higher than*, civil law. The sovereign makes civil law, and in Hobbes' kingdom there can be no law higher than the decrees of the sovereign. He, in effect, is the law.

Whatever the political repercussions of a system like that which Hobbes postulates, there are certain moral and ethical questions which it poses. Hobbes' felt that morals and ethics had no place in determining whether or not a sys-

tem of government was good or evil. Such a judgment, according to Hobbes, could not be made, or if made, could not be proved. The correlation between Hobbes disavowal of natural law/natural rights and objective morality is palpable and direct. Hobbes realized that the acceptance of unalienable rights of life, liberty, and property would compel one to make a moral judgment of a political system which violated those rights. Having given the sovereign absolute authority to make laws, Hobbes goes on to say that no ethical determination can be made about the sovereign's action, about its goodness or evilness. Ethics, to Hobbes, are purely subjective and inapplicable in political affairs. The sovereign, it would seem, is above both law and morality; or, like Nietzsche's superman, "beyond good and evil."

Hobbes wrote in defense of authoritarian rule by one man, the monarch. Monarchy was, in Hobbes' day, the most widespread form of government. With the gradual decay of the monarchical form, and the general democratization of governments, came the belief that it was not the leader of the nation who was sovereign, but the people themselves. The divine right of kings had become, as Herbert Spencer observed, the "divine right of majorities." But

whether they represented the interests of monarchy or democracy, the enemies of natural rights had the same intention — to deny the individual any rights but those granted by the State.

Bentham's Faith in Democracy

Of the type of thinker who spoke for democracy and against natural rights was the great utilitarian, Jeremy Bentham. No statist in economic concerns, Bentham was curiously inconsistent when it came to limiting, or not limiting, the State's sphere of influence. Government's function, as Bentham saw it, was "creating rights." He considered natural law and natural rights "fictions," and in his first work, the *Fragment on Government*, he castigated Blackstone for a contrary belief. Bentham's antipathy to natural rights sprang from the conviction that natural rights were obstacles to reform, and he was against checks and balances and a system of separation of powers for the same reason.

Bentham thought, with the faith of the statist in the ability of government to solve all human problems, that by making the act of legislating as easy as possible, the State could deal more readily with society's dilemmas. Bentham did not see what others, most notably the Framers of the Constitution,

saw so penetratingly: that the power of the State to achieve good was equaled by its power to achieve enormous harm, that in seeking the former one necessarily braved the latter. Bentham did not perceive the difficulty inherent in placing all right-giving power in the State's hands. He failed to understand that the capacity for bestowing rights could become the capacity for withdrawing rights. Finally, Bentham, like Hobbes before him, was incorrect in assuming that the State could create rights out of nothing. The State is a delegated authority, and what power it has derives from the individuals who comprise it. Such being the case, it is absurd to assume that the State can bestow rights on its own creators. The State may give order to rights, define them more clearly, and protect them with laws; but it cannot more grant rights to the members of society than a child can grant rights to his parents.

The Ethical Case

The ethical arguments in favor of natural rights are perhaps even more telling. If it is true that men have only the rights the State has seen fit to give them, what is to stop the State, at any time and for any reason, from taking back those rights? Furthermore, how can we say that the State act

wrongly if it chooses to take that action? By the logic of the opponents of natural rights, the Nazi regime had a perfect justification for recalling the rights, including the right to life of 6,000,000 human beings, and should not be condemned or thought of as evil for simply exercising the prerogative to which, as a state, it was clearly entitled. Thus, the denial of natural rights quickly resolves itself into a rejection of the ethical differences between governments, making a slave-state the moral equal of a republic.

We now arrive at the final question, "What are the natural rights?" Although it cannot be answered precisely, that does not mean it is unanswerable. As has been said before, natural rights precede the State and hence are *a priori* in character. Natural

rights are every man's at birth and are not State-granted. If each man has an equal claim to liberty, that is, the use of his rights, he can be limited in his freedom only by the claims of other men to an equal share of liberty. The circle of rights around every man extends as far as it may without intruding on the rights of other men. For this reason are the "rights" granted by the State bogus rights. A right to receive welfare, for example, is invalid since it requires the abridgment, however partial, of the rights of the citizen who is compelled to pay for the welfare benefits given to someone else. Natural rights, by contrast, require no abridgment of another individual's rights to exist, but are limited only by the same natural rights of another person. 

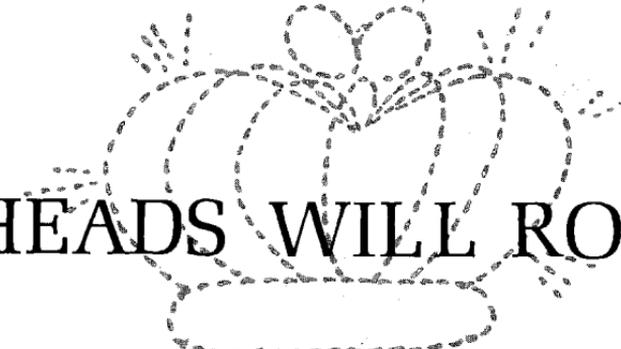
Nature's Way

IN MAKING his ethical choices, man is guided by a code believed to have the sanction of God; and experience has shown that the good life to which his instinct impels him can be achieved only if he makes his decisions accordingly. The Ten Commandments have been called the Word of God; they can also be described as natural law, and natural law has been described as nature's way of applying means to ends.

IDEAS ON



LIBERTY



HEADS WILL ROLL

LEONARD FRANCKOWIAK

IN THE SOCIETIES of yesteryear, the king ruled supreme. The saying that "heads will roll" was no idle comment but a probability which struck fear in the hearts of the people. When Henry VIII of England said "heads will roll," roll they did! Whenever and wherever the king was displeased, the shockwaves of his fury would reverberate throughout the dynasty, and the poor citizen would shudder in fear. The king was almighty; and people, at best, were humble servants of the king. The king's word was law; his word was justice; he was the absolute ruler; all property was his to control; all people were his to control. The king was the government, and there was no such thing as indi-

vidual freedom for people. Even the democracy of Athens and the Roman Empire, which were what we call representative governments, were based upon the principle that government is almighty and man's right to live or die is decided by the state.

In days of old, governments were always first and the people second. Then, along came the United States of America and things were different. Man was to enjoy freedom, of which we still have 57 per cent.

In other societies, people such as you and I were absorbed by the state. It was as if the government was God on earth. Governments were at the top and people were the servants of government. But when the United States of America was formed, a dramatic thing happened. In terms of setting up a country, our forefathers did a

Mr. Franckowiak is a businessman in Chicago. His business includes a weekly radio program in behalf of freedom, entitled *We Still Have 57 Per Cent* (referring to the portion of personal earnings not taken by taxes). "Heads Will Roll" is from his script for April 10, 1972.

complete flip-flop. While every other country had government first and people second, the United States was founded in reverse — people first and government second as servant of the people. How dramatic that was — a bold, new principle — people first and government second. The people were to be at the top rung of the ladder and the government at the bottom. People were to be free to enjoy life; people were to be free to do their own thing in any way that was peaceful; and the government would serve all men, preserve the freedom of all men through law and through order, through justice and through the punishment of criminals. This was a fantastic achievement in the history of mankind — and still is! The miracle of America is man's precious individual freedom.

Freedom with Responsibility

Of course, with freedom comes responsibility. If man is to enjoy the blessings of freedom on the top rung of the ladder, then he also has to be responsible — responsible for his own welfare, for his own housing, for his own security, for his own employment, responsible for his own existence and for his own happiness. That was and always is the price of freedom. If man is to enjoy freedom, and the spirit of freedom to

do his own thing, then he must also bear the burden of responsibility for the consequences of his actions. Man, enjoying the fresh, brisk breezes of freedom, must also be the master of his own fate and destiny. Rich or poor, good or bad, the fortunes of success or the consequences of failure, to enjoy freedom is to accept responsibility. This was the foundation upon which the United States was built: free and self-responsible men at the top rung of the ladder and government second as the keeper of the peace.

America Is Changing

Now, little by little, America is changing. Men began to abdicate their individual responsibility and they turned to "benevolent" government. Housing is now a function of government; education is now a function of government; Medicare is now a function of government; Social Security is a function of government; so is banking, transportation, electricity, water, busing, farming, prices and wages, employment and non-employment. The war on poverty is now a function of government. And so it goes; man, in his abdication of responsibility, has yielded to government — and the rungs of the ladder are no longer clearly defined. Where once the man of America stood proudly at

the top and government was a far-removed and far-distant second, they now crowd together on the ladder: individual freedom and self-responsibility — 57 per cent; government responsibility and government control — 43 per cent, and rising. America is shifting priorities so that the government will be on top and people second — calling to mind the divine right of kings of yesteryear, the Russia and Red China of today, where, in fact, “heads still roll.”

To abdicate responsibility, to seek welfare from government, is to give up in exchange man's precious freedom because the two are interrelated. To obtain housing from the government is to place housing in control of government. To obtain education from govern-

ment is to put government in control of education. The price of welfare from government is control by government — and control is the opposite of the freedom that was the miracle of America.

For man to enjoy his rightful place at the top of Nature's ladder in the sunshine of human dignity he must first accept his responsibility and thereby keep government beneath him as his servant. The divine right of kings and governments is the principle of yesteryear. Now is the time for dramatic reaffirmation of man's kind's greatest discovery: man's right to life, man's right to the pursuit of happiness, and man's right to liberty. Otherwise, “heads will roll.”

Misplaced Controls

THEY ARE EXPLOITING public ignorance, these politicians who would put price controls on meat and other food prices. These prices have not soared as have the costs of government, and it is the costs of government which need to be controlled.

IDEAS ON

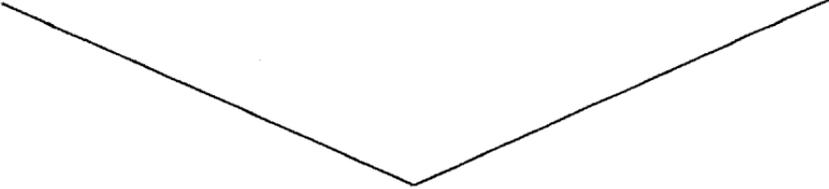


LIBERTY

If the costs of government hadn't risen any more than have meat prices, there wouldn't be enough inflation to make it a problem.

The fact is that well over a third of consumer payment for meat and other voluntary purchases goes to cover costs of things the government has decreed more important.

THE BEWILDERED SOCIETY



SOMEWHERE, so George Roche III believes, the American people took a wrong turn. It was not that their values were wrong—their forebears had come to the New World in order to find space for individual development. The American wanted to be “his own man,” to carve out a business, or to develop himself culturally, morally and professionally, without having to ask permission from those who had been placed above him in a social environment that enforced status. But, in coping with a big continent, the American somehow permitted technology to create what Dr. Roche calls “enmassment.” The big organization bred collectivism, with all its corroding effects on the freedom of the individual to be himself.

What was the nature of the mistake that led to “enmassment”? In *The Bewildered Society* (Ar-

lington House, \$8.95), a book which the author describes as a strange mixture of “puffs and pans,” Dr. Roche tends to blame everything on the propensity of baffled human beings to try to fight fire with fire. His description of what happened is compelling. The genius of a free people unleashed tremendous creative forces in an open environment. Seeking the advantages of “economies of scale,” our Rockefellers, Carnegies and J. P. Morgans turned little companies into big companies, using the special legal advantages accorded to the corporation to gain ends that had a tremendous potential both for good and for bad. If men had only been willing to tackle their environment without asking for special favors from government, so Dr. Roche avers, the railroads, the steel companies, the oil refining companies and the real estate op-

erators would have developed in an orderly way that would not have hurt the little man. But the temptation was too great: the State, throughout the nineteenth century, had too much to give, and it was in the cards that forceful and adaptive men would combine to conjure special advantages out of the Great Benefactor in Washington.

**Men Are Known
By the Company They Keep**

Dr. Roche is ambivalent about the men whom Matthew Josephson called the Robber Barons. They are to be blamed, so Dr. Roche says, for courting government to gain such special privileges as tariffs and grants of land. But in acting as a pressure group the nineteenth century tycoonery was behaving like everybody else. The government owned title to most of the empty continent. Settlers in search of a good quarter section of land rallied to the slogan, "Vote yourself a farm." Everybody was in on the take, as was perhaps inevitable under the circumstances. When "society" as a whole is to blame for a state of mind, there is little point in making special villains out of those who proved most efficient in providing what people wanted. The "robber baron" enriched himself, but in many instances he also enriched even

those who were forced to sell out to him.

What Dr. Roche seems to be telling us is that the American people in the latter half of the nineteenth century should have found some nongovernmental way of protecting themselves against the "enmassment" called into being by the corporate form. After all, nobody compelled farmers to make themselves dependent on cash crops and monoculture agriculture. Producer and consumer cooperatives might have been formed to bring the benefits of "economies of scale" to the little fellow. When Edison developed the power plant, farmers might have availed themselves of small-scale electrical power components, as "Boss" Kettering of General Motors originally suggested. If individuals had formed associations to buy tracts of land and then subdivided the acreage to suit themselves, we could have avoided some of the uglier results of urban sprawl. When Henry Ford started making his Model T, he hoped that people would divide their time between working for employers and raising their own vegetables on their own acres. The car might have enabled a man to take industrial employment in prosperous times without quitting a base on the land that could tide a family over periods of depression.

Turning to Government

Instead of trying to solve their problems by voluntary association and individual ingenuity, however, the American people allowed themselves to be seduced by the idea that Big Government could be utilized to control and regulate Big Business in such a way that the little competitor would have a chance. For a time, "trust-busting" beguiled the common man. But the Populists, the Mugwumps and the Progressives discovered to their chagrin that business had an uncanny way of dominating the very State machinery that was supposed to give protection to the "public" or to the "consumer." Theodore Roosevelt tried to distinguish between "good" and "bad" trusts and wound up in the arms of George Perkins of the House of Morgan. To fight World War I, Woodrow Wilson had to call Bernard Baruch and other Wall Street tycoons to Washington to head up the war production agencies. The bankers soon learned how to make use of government-created paper to enrich themselves.

As Dr. Roche tells the story, "reform" could not stay the processes that led to ever greater "enmassment." The New Deal attempts to save the small farmer ended by giving superior help to the big farmer, who used the uni-

versalized benefits of the AAA to buy machinery that his little competitor could not afford. Instead of halting the movement to the central city, our "progressive" agriculture reforms hastened it.

Wartime Interventions

Two big wars and a couple of small ones completed the centralizing process. Education was forced into line when the government, in order to fight the wars, had to subsidize the universities to provide research and development for the so-called military-industrial complex.

In spite of everything, Dr. Roche has not lost his nerve or his sense of proportion. His historical chapters are enough to make anybody a pessimist, but, in a sudden right-about-face, our hitherto gloomy analyst discovers that only some "twenty-five per cent of all goods and services are produced by the 500 largest industrials." Controverting Professor Galbraith, Dr. Roche says this must mean that "seventy-five per cent of our goods and services are *not* produced by 'the technostructure.'" Continuing his exploration of the factors that are currently working to halt the processes of "enmassment," Dr. Roche notes that the big producers need the small producers just as much as the small businessman needs the

big. Western Electric, for example, has 40,000 suppliers. And the small businessman provides the major support to America's 6,000 non-profit organizations, 320,000 churches, and 100,000 private welfare organizations. We don't, in short, need the Big State to solve our problems. "Enmassment" need not grow if individuals have the will to do things either alone or in voluntary groups.

Softness at the Top

Will enough people read Dr. Roche to rekindle an old faith in the individual? This is, indeed, the question. The day I finished reading *The Bewildered Society* I picked up *The New York Times* and opened it to a story of a survey "of 456 of the richest, most powerful and most influential persons in the United States." What the survey reveals is "a high level of acceptance of Government intervention in the economy, approval of most of the things that make up the welfare state, and rejection of hard-line anti-communism in foreign policy."

With such softness at the top, has Dr. Roche a chance of making his gospel stick? We can only hope that his still, small voice will somehow reach 456 "leaders" who know not what they do.

▶ THE SPOILS OF PROGRESS:

Environmental Pollution in the Soviet Union by Marshall I. Goldman (Cambridge, Mass.: MIT Press, 1972), 372 pp., \$7.95.

Reviewed by Gary North.

ONCE AGAIN, Professor Goldman has demonstrated his remarkable grasp of the economics of the Soviet Union (see the review in the November, 1968 issue of THE FREEMAN). This time he focuses on the whole problem of pollution: ownership, social costs, pricing, responsibility, legislation, and so forth.

First, he demolishes the myth of "clean socialism." There is no guarantee that the state ownership of the means of production will result in cleaner skies, purer water, and rational allocation of clean resources. The actual practice of the Soviet Union indicates the reverse: "One of the major arguments throughout this study has been that the concentration of economic and political power in the hands of the Soviet state can be and has been a major factor in the creation of environmental disruption. In the Soviet government's drive toward industrialization and economic growth all too often there has been no person or group around with any power to stand up for the protection of the environment."

State power, in theory, may be a tool for doing good, but in practice we measure the results. The quest for aggregate economic growth — a mania, says Goldman, which was first given to the modern world by the Stalinist Five Year Plans — has granted bonuses to managers for minimizing factory costs at the expense of the environment. Fines for damaging the environment seldom match bonuses for reaching quotas. And even these fines are seldom imposed on factory managers. "So far it is the poacher (that is, individual citizens) that [is] being harassed, while governmental institutions (factories and municipalities) are frequently left to themselves. The real polluters for the most part are not rigorously regulated or penalized. . . . Yet it is the government institutions (municipal, service, manufacturing, and agricultural) that are responsible for damage hundreds of times more destructive than that of the poachers."

Marxism propounds two economic theories that are almost guaranteed to produce environmental disruption: the abolition of private ownership and the free (gratuitous) cost of scarce economic resources.

"In a socialist society it would seem that it would be more difficult to stimulate preventive action

in both the case of public and private social costs. Because private land ownership is prohibited in the USSR, the individual has less of a vested interest in fighting the construction of a new factory in his neighborhood or the mining of some raw material in the area." The best motivation, operationally, is simply "the fear of private loss." Thus, the USSR has eliminated what Goldman calls the first line of defense against pollution.

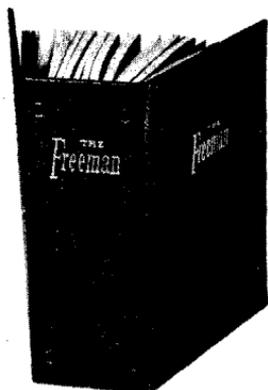
By regarding natural resources as free goods, managers have been led to underestimate costs, waste resources, locate factories uneconomically, and destroy valuable assets. Developers of Black Sea resorts used sand from the beaches to make cement. This removed the protection from the pounding winter waves. In 1968 all the trucks in the Abkhazia Republic had to be used in order to bring in materials to save collapsing hotel foundations. The erosion in some cases cannot be reversed, and whole sections of the beaches are disappearing.

Lake Baikal, the largest mass of pure water on earth, is steadily being polluted. Kislivodsk, the mountain resort protected from the weather by a ring of mountains, has had its mountain cover cut away by a limestone quarry, and the winter is now getting in. The Caspian Sea is being lowered

rapidly. Dust storms now hit the Ukraine every other year. Yet the only successful protest against one government agency is a protest by some other agency.

Lying managers, rigged cost-benefit analyses, bureaucratic intransigence, impotent national legislation, utopian schemes, and pollution of all kinds are the spoils of

Soviet progress. Expenditures to curb air pollution in the Soviet Union are only one-tenth of expenditures in the United States. Their spirit may be willing but their price system is weak. Goldman's book is a ringing refutation of all those who would argue that capitalism is the primary cause of the "environmental crises." 



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6

Six ideas to make us human

MOST PEOPLE live lives of quiet desperation, Henry David Thoreau told us. If there was truth in that observation, in the pleasant, spacious old New England of Thoreau's day, how much more truth is packed into those words in these melancholy days! Events have gotten out of hand and the world lurches into chaos.

Things have fallen apart faster than any of us would have dared predict, and we are seized by pangs of guilt and self-doubt. So many promising experiments have gone sour, from the New Freedom of Woodrow Wilson to the latest ukase of the present administration. The statesmen of this era talked peace and sought to outlaw war, but they let the twentieth

century break down into the bloodiest period of all the twenty-five hundred years of warfare studied by Pitirim Sorokin. "We live," wrote this great scholar, "in an age unique for the unrestrained use of brute force in international relations."

The threat of protracted international conflict is bad enough, but there is also the well-founded fear of domestic violence and crime. And even if we are lucky enough to escape actual robbery, we know that inflation is steadily draining our wealth. We've seen the race issue go from integration to Black Nationalism; we've witnessed the emergence of the sex and drug cult, the rise of astrology, witchcraft and voodooism; V.D. has reached epidemic proportions among the young; and then there is abortion, homosexuality, the campus crisis, the environmental

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education, a seminar lecturer, and author of the book, *Religion and Capitalism: Allies Not Enemies*.

crisis, the inner crisis in man himself. For is it not true, as Yeats says in a famous poem, that "The wicked act with dreadful intensity, while the good lack all conviction."

Youth Seeking Identity

It is a time of troubles for all, but perhaps it's easier for the old whose habit patterns firmed up in a healthier era than for the young who are searching for a value system and cannot find one. Depression, in the vocabulary of many young people, does not mean the economic malaise which this country staggered through during the Nineteen Thirties; it means the somber mood in which they hang question marks around life, wondering if it really is worth living. They are trying to find meaning for their lives in terms of the values their elders lived by — or on any other terms — and they are not having much luck. We sometimes find their behavior rather bizarre; the long hair, the weird clothing, the haphazard life styles. But perhaps these symbolize a message they are trying to get across to us. Some of the so-called hippies, by deliberately being ill-housed, ill-clothed and ill-fed, may be practicing a charade whose message is that the More Abundant Life, as defined in New Deal terms, is not a proper goal for man. Perhaps they have a suspi-

cion that reality is wider and deeper than the physical universe revealed to common sense — as religion has always maintained — and so they experiment with mind-expanding drugs. They grope after some form of religious expression, but still they drift.

Now, we know something about the rise and fall of civilizations. In our schoolbooks we read about "The glory that was Greece, and the grandeur that was Rome." Toynbee, Spengler and Dawson have made us aware of dead civilizations on other continents. A civilization comes into existence cradled in dominant ideas, launched by deeds of heroism and self-sacrifice, and it maintains itself in a tonic condition only so long as it has solid grounds for believing in itself and its destiny. But civilizations wane; Rome fell. Spengler predicted the decline of the West. We need not buy a single one of Spengler's theories but it is hard to argue against his phrase: The West is in decline. Great numbers of people in this favored land no longer believe in the things that made Western civilization unique.

An animal species which has flourished in a given area may be wiped out by a disease, or it may be decimated by a predator, or climatic change may destroy its food supply. Every one of these

afflictions has beset primitive peoples in times past, but a civilization does not founder for any of these reasons. A civilization goes under when its people, for one reason or another, lose contact with the big keynote ideas of their culture.

Ideas Make Us Human

Wherein lies the great difference between the human species and every other? We have much in common with other forms of life, especially with the warm-blooded vertebrates. In structure we bear some resemblance to the manlike apes, but the critical difference in the domain of ideas far outweighs any resemblances. If a chimpanzee has any thoughts at all about what it means to be an ape, they are rudimentary; he's a pretty good animal without even thinking about it. But no man is fully human unless he maintains a lively contact with a set of ideas as to what it means to be a person.

This is where our disease has set in, in the realm of ideas. The perilous days we are living through are not the result of a drying up of the food supply, which is more abundant than ever. There's been no marked change in the physique of modern man, and disease is not a menace. Nor are we beset by predators. The malaise from which we suffer has impaired

the ideas which instruct us what it means to be men and women, and we function poorly in consequence. The people of our race built the Parthenon, constructed the great systems of philosophy, painted the ceiling of the Sistine Chapel, wrote the plays of Shakespeare and the music of Bach; and we can't figure out how to teach our kids tolerance and mutual respect without busing them all over town! Something is definitely wrong with us, and it won't be right with us until we come to terms with six big ideas. I'll mention them briefly now and deal with them at greater length later on. They are the right convictions about free will, reason, self-responsibility, beauty, goodness, and the sacred. We have "blown it" at every one of these points, and that's more than enough to account for the sorry spectacle modern man has made of himself. It also points the way to recovery. Let's, first of all, hear a portion of the indictment leveled at us by contemporaries.

Downgrading Man

The human race is getting a bad press these days, and we love it. Norman Cousins told us a while back that "Modern Man is Obsolete," and we confer a couple of distinguished editorships on him in a frenzy of approval. Robert

Ardrey writes a book to demolish what he calls The Romantic Fallacy and argues that our forebears were killer apes, whose blood lust still surges in our veins. And so great is the demand for preachments of this sort that the book has gone through seventeen printings! The creature we used to refer to as the glory of creation is, when you scratch the surface, little more than a *Naked Ape*, Desmond Morris tells us. This book has gone through six printings and there are two paperback editions. Knowing a good thing when he sees it, Morris writes a second book, *The Human Zoo*. The Nobel Laureate in biology, Albert Szent-Gyorgyi, goes Morris one better with a book entitled *The Crazy Ape*. And it is common knowledge that this odious race fouls its own nest, pollutes the environment of its neighbors, wars ceaselessly on its own kind, destroys wildlife, watches Lawrence Welk and votes Republican. The creature once regarded as little lower than the angels is now ranked several degrees below the beasts!

The books whose titles I have listed above purport to be in the realm of science. In the realm of the admittedly fictitious there is a new school of novelists who aim, in their stories, to reveal man as the pitiable slob he really is. A

critic comments that "From Cervantes to Hemingway, storytellers have assumed that man has hopes and aspirations, and that they could be expressed meaningfully. Bosh, says the new school. Man is a blob, creeping and leaping about in a world he cannot control, his words meaningless or hypocritical or both."¹

Immortality of the Soul

How different the outlook of a great writer like William Faulkner, in these words from his speech accepting the Nobel Prize in 1950: "I believe that man will not merely endure; he will prevail. He is immortal, not because he alone among creatures has an inexhaustible voice, but because he has a soul, a spirit capable of compassion and sacrifice and endurance."

Brave words such as these are in danger today of being drowned out by the sheer bulk of the other message, which, through the numerous outlets it has contrived, produces the enervating atmosphere of misanthropy in which we struggle for survival. Take the movies. We are given films which degrade our species by focusing on the sordid, the silly, the ugly, the cowardly, the disgusting; as if all elements of the dramatic were

¹ *Time*, October 13, 1958.

lacking in characters who exhibit nobility, heroism, kindness, or even common decency. Another tack is taken in such a film as "The Hellstrom Chronicle." The mere ability to film those astonishing pictures of the insect world represents the culmination of the work of many geniuses, but this heartening thought is squelched by the narrator who tells us toward the end of the film that they really do organize things better in the insect world, and human beings should learn from wasps and ants to submerge their individual talents for the greater glory of the hive and termitary!

The examples I have cited from works of popular science and the realm of entertainment might be multiplied many times, and they represent no more than the fraction of the iceberg that pokes itself above the surface of the water. The huge mass below the water line represents the mood, outlook, trend or drift that sways the multitude.

In many previous ages lonely thinkers and poets sounded the note of pessimism, voiced their despair, and vented their hatred of life. But they were read and heard by only a handful of their contemporaries; they did not reach the multitudes. The masses of men in previous ages were comfortably insulated against ideas of

any sort; most of them couldn't read and the range of the human voice limited the size of the audience. The traditional religious belief gave men's lives meaning and even dignity, and most human energy was used up in producing enough to live on.

Catering to the Masses

Things are different now. Anti-human sentiments, dislike of humanity, hatred of life, are epidemic among present-day intellectuals, and the idea that life may not be worth living has percolated down to the masses of people. This is a new situation in history. The masses of men are relatively inarticulate but only a mass audience can make a book a best seller, or award a golden record to some singer, or enable a film to gross ten million dollars. The people, books, songs, ideas which ride the crest of fashion today are held there by popular support; whereas, formerly, the artist and composer wrote for wealthy patrons. Joseph Hayden composed magnificent music for the Esterhazys; but Leonard Bernstein writes his *Mass* for the masses. We are dealing with a perverse attitude toward life which has infected major sectors of Western culture at every level.

In the year 1929, Joseph Wood Krutch wrote a stunning little

book entitled *The Modern Temper*, using the word "temper" in the sense of frame of mind, or outlook. His major point was that educated people had come to assume that science had exposed as delusions the values and standards upon which Western Civilization had been founded, and that the decline of the West was due to Western man's loss of faith in himself. The prevalent belief, he argued, is that men are animals and animals are machines.

What men believe about themselves is an important factor in the success or failure of their efforts. A golfer who firmly believes he can sink a putt is more likely to do so than one who believes he'll miss the cup. A swimmer like Don Schollander tells how he gets himself "psyched up" before a race and tries to make his opponents feel like losers in a war of nerves. It is a notorious fact in baseball that certain pitchers have the "Indian sign" on a particular batter; he's a dangerous hitter except against this one pitcher. The right beliefs, in short, inspire right action.

I don't know what an elephant believes about himself; I suspect that he doesn't believe anything about himself, one way or the other. I think it would not matter; he'd go on being the same old elephant he always was. Some-

times we say of a pet Saint Bernard who tries to crawl up into our lap that "Bozo thinks he's a kitten." But we know we're joking; and even if this was said seriously, we know that Bozo remains a dog no matter what he thinks he is.

With the human species it is different: Human beings do not attain their full stature as persons unless they are reinforced by the proper ideas and beliefs about the meaning of being a person. We share our physical being with other mammals; biologically speaking, we are anthropoids. By virtue of our genetic equipment we are clever, adaptable hominids; but no one of us realizes his full potential as a man or woman unless he knows what it means to be human. If we so misread human nature as to regard our species as nothing more than the fortuitous product of natural and social forces, then we have impaired our chances of achieving the most uniquely human qualities within our capacity.

Environmentalism

If it is generally believed that man is merely the product of his environment — the individual a passive outcome of the time and place into which he was born, the human race a consequence of accidental chemical and physical

events of a few million years ago — when such beliefs pervade a culture, the result is pessimism and resignation. The sense of individual responsibility is dead in a man who regards himself as a passive creature of his circumstances. The only people who prove superior to their circumstances, who surmount environmental handicaps, are those whose beliefs about the human species endow men and women with the creative energy to overcome life's difficulties.

It may sound as though I am endorsing a "think and grow rich" formula, or the like. Actually, I am talking about the big picture; the dominant world view entertained by a culture, the prevailing ideology, the real religion. The dominant world view today is some form of materialism; explicit where Marxianism has taken hold, implicit elsewhere. Let me document this assertion from a statement entitled "What I Believe" by C. P. Snow; novelist, scientist, member of the peerage, writing in the current issue of the *Britannica Roundtable* (Vol. 1, No. 3). A publication such as this is no vehicle for publishing radical departures from orthodoxy; Baron Snow's statement is printed because his point of view is commonplace among people who regard themselves as being in step

with up-to-date ideas. Snow writes as follows: "I believe life — human life, all life — is a . . . fluke which depended on all manner of improbable conditions happening at the same time." But if all life is a chance occurrence, so is Baron Snow's life. And if Snow's life is a fluke how can his thinking be anything but a series of flukes? His thoughts then are random events, without rational foundation. "All that happened," he continues, "is within the domain of the laws of physics and chemistry . . . it was a completely material process. . . . A few million years ago, subject to the laws of statistical chance, the creatures that were our direct ancestors came into existence. . . . Speech and what we call conscious intelligence accrued. . . . We are still an animal species, but much cleverer than all others." Snow goes on to add, rather wistfully it seems, "It has been a very unlikely process, with many kinds of improbability along the way."

Nature's Passion for Order

Now, old Mother Nature has a passion for order. She has an aversion to disorder, and the Laws of Probability simply record Mother Nature's gyroscopic tug to keep things on course. The Laws of Probability record that the number of male and female children

born is roughly equal. Flip a penny fifty times and it will come up heads on the average of about every other throw — twenty-five times out of fifty. Make a thousand random throws of a pair of dice and the Laws of Probability can tell you approximately how many times they'll come up snake-eyes, and how many times you'll get box cars. Numbers between two and twelve are within the system, and each of the eleven possible numbers will appear a certain number of times according to the laws of statistical chance.

But let's pose this question: In a thousand random throws of the dice how many times will we get seventeen? How many times will the dice turn into a rabbit? The answer is that this would never happen; spooky questions like this imply belief in magic. Now suppose we ask the same question, but say that the dice have been thrown once a second for a billion years. Now how many seventeens and how many rabbits? The answer of any sensible person is "None!" to both questions. The number seventeen and rabbits are outside the system of the little spotted cubes called dice.

When a man like C. P. Snow declares that nonlife becomes life due to the operation of the Laws of Probability over immense time, he attributes magical properties to

mere duration. He assumes that dice do turn into rabbits if the time span be measured in billions of years. And when he invokes another huge block of time to account for the transformation of the nonmental into the mental and the nonrational into the rational, he is endowing the mere sequence of days, centuries, and millenia with miracle-working efficacy.

Monkeys vs. Shakespeare

We've all heard the assertion — intended to illustrate what mere chance and time can accomplish — that if a thousand monkeys were seated at a thousand typewriters and banged away for a thousand years they would reproduce every one of Shakespeare's sonnets. The premise upon which this wild illustration is based is that a Shakespearean sonnet is nothing but a mechanical arrangement of black letters on white paper. There are indeed letters on paper, but there is one other special ingredient in these sonnets: Shakespeare's genius. There is no place for genius in the world view of the materialist who professes to believe that mind is an offshoot of matter. A poet simply marks the location where a poem occurs, according to B. F. Skinner: "The poet is also a locus, a place in which certain genetic and environmental causes come together to have a common

effect."² And besides, the genius is a salient individual who stands out above the crowd when really he should be content to seek "social gains!"

What men believe about themselves has a great deal to do with determining the success or failure of their efforts in the several departments of life, and when influential segments of the literate population embrace notions about the universe which demean man by depriving him of his most distinctive characteristics the culture is thrown off base.

Let me now probe a little deeper along this line. I shall argue that six major ideas, together with body, brain and nervous system, transform what Snow calls "an animal species, but much cleverer than all the others" into a full-fledged member of the human species. A creature with anthropoid features who completely lacks these ideas is not of our species even though he walks, talks, and dresses like a man. Fortunately, in consequence of the animal health and grace in even the worst of men, it is almost impossible for any person to eliminate from his make-up all traces of these ideas;

some influence remains to keep us reachable.

Now then, six big, potent, inter-related ideas, without which man is not man.

- 1. *Free Will*. Man's gift of free will makes him a responsible being.

- 2. *Rationality*. Man is a reasoning being who, by taking thought, gains valid truths about himself and the universe.

- 3. *Self-responsibility*. Each person is the custodian of his own energy and talents, charged with the lifetime task of bringing himself to completion.

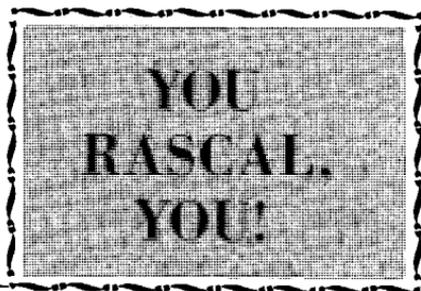
- 4. *Beauty*. Man confronts beauty in the very nature of things, and reproduces this vision in art.

- 5. *Goodness*. Man has a moral sense, enabling and requiring him to choose between good and evil.

- 6. *The Sacred*. Man participates in an order which transcends nature and society.

Each of these big ideas is in trouble today. The attack on them has been gathering momentum for a couple of centuries and the case against has just about carried the day in influential circles. We'll further examine these ideas in a concluding article next month. 🌐

² *Saturday Review*, July 15, 1972.



From whence come wars and fighting among you?
come they not hence, even of your lusts that war in
your number?
James 4:1

AS WITH ALL of my "original" ideas, this one turns out to be "old hat." Upon reading the first draft, an associate remarked, "Why, that is precisely what the Bible says." That accounts for the opening quotation. There then came to mind an essay by E. W. Dykes entitled "Big Wars from Little Errors Grow." (*The Freeman*, January, 1964.) Old hat or not, the theme needs constant repetition; it is so easily forgotten.

As I view the societal scene from my modest place in it, four current phenomena are outstandingly impressive:

1. Things on the surface, at least, appear to be amiss, not only in the U.S.A. but worldwide: wars with guns, wars with words in religion, education, business, politics,

brutishness on the campuses as on the streets. Never in my lifetime have the confrontations been more pronounced.

2. An amazing awakening to the fact that things are amiss: countless admissions by persons on all sides of the politico-economic argument — scholarly intellectuals, columnists, politicians, and others — many of whom have had a hand in bringing on the very calamity they now decry.
3. A frenzied search for explanations, causes, reasons — of the most diverse nature. These range from an incompetent bureaucracy to tax loopholes to inequality of income to excessive or inadequate welfarism to economic growth to lagging GNP — you name it! Never have the assigned rea-

sons been more at odds and, as I see it, more astray.

4. A widespread acknowledgment of trouble but without any noticeable confession of personal shortcomings. Nearly every finger points at someone else; it is impressively *you*; there is hardly an *I* in the population.

Imagine! All of this rascality and not a professed rascal among us! Why? It is simply because the real evil, the cause of our waywardness, is rarely suspected. Thus, self-identification is impossible. People do not link themselves to error about which they are unaware.

What is this rascality? It is the domineering habit, the insistence that others act in accord with one's own shadowy lights. Perhaps no one has shaken this habit completely, so common is its practice. This habit has its inception in the closest relationships, as in the family, one parent lording it over the other or both of them assuming an authoritarian as distinguished from an exemplary relationship with their children. It takes such seemingly innocent forms as do-as-I-say—a carbon copy way of life.

This tendency, once rooted, spreads by unseen degrees to neighbors, the classroom, the pulpit, and other associations. Sooner

or later, it begins to grow teeth and takes the form of do-as-I-say-or-else, that is, it explodes into out-and-out coercion as in countless thousands of unprincipled governmental compulsions. When not recognized as evil and thus unchecked, it brings on dictatorships and finally reaches its apogee, its most vicious manifestation: mass slaughter.

I am unaware of any evil more pronounced than man lording it over man. Not even God does this. Indeed, He has given us a freedom so radical that we may deny our Maker or otherwise make fools of ourselves. As I see it, the domineering habit is the root of all evil¹ and unless there is some realization that it is, we will continue to ascribe nonreasons for our troubles and without anyone faulting himself. We will go on exclaiming, "You rascal, you!"

A Record of Failure

Enough of my theorizing. Let us reflect on an observed fact: an

¹ This is close to the idea of Original Sin, as many theologians define it: the tendency of the creature to try to usurp the role of the Creator. That interpretation appears to be in accord with the Biblical account which describes the tempter as telling the human creature that if he will eat the forbidden fruit he can become like God. *Genesis* 3: 5. See also *Nature, Man and God* by William Temple (London: Macmillan & Co., Ltd., 1934), p. 496 ff.

example cannot be found where domineering in practice — man lording it over man — has resulted in success.² The record is failure, without exception. It has to be. A carbon copy is never as good as the imperfect original.

Markedly on the increase are the complaints I hear from fathers and mothers about the waywardness of their children. In some instances, drugs. But most of them go like this: "She is brilliant, a straight A student in college, but she has bought the whole socialistic doctrine. She won't do as I say. How do I solve this problem?" I have yet to hear one of these do-as-I-say parents confess, "The fault is mine." In far too many of these relationships an unsuspected domineering attitude has been substituted for parental cooperation and guidance.

Take two cases of domineering that have "teeth": government education and the government postal service.

Government education has three forms of domineering: compulsory attendance, government dictation of the curricula, and the forcible collection of the wherewithal to

pay the bills. That education in America is in a mess goes without saying. It is generally conceded, even by many educators. Show me one person who says, "The fault is mine." *Yet, it is the fault of everyone who has had any part in endorsing or supporting or practicing any form of domineering!*³

The government postal service never, even remotely, matched what a free market operation would have accomplished. And it is getting worse day by day. Can you name one person during the past century who confessed the fault is his? No one makes such an admission because he does not recognize the domineering trait as the root of the failure.

The railroads have been subjected to domineering with "teeth" for decades. They are failing. Not a person takes the blame; it is now and always has been, "You rascal, you!" There is no end to the illustrations that could be given.

When Growth Ceases

As already stated, the domineering habit has its inception in the closest relationships. Correct it here and it will cease to be a men-

² Success is composed of gains, not losses. Sputniks, moon ventures, the Gateway Arch, and the like—ambitions of a few—are made possible by enormous losses on the part of millions of people. With justice or fairness as the premise, these are failures.

³ This is not "collective guilt" as some would have it but individual error piled high. And, critics to the contrary, each of us is to some extent shaped by the environment in which we find ourselves. In another kind of world, you and I would be in another kind of endeavor.

ace elsewhere. Let us return, for illustration, to those parents whose children refuse to share parental views, conform to parental dictates.

True, these parents are unaware that they have been domineering and such recognition is indeed difficult. As parents, we tend to forget the growth we ourselves experienced during childhood and adolescence. By the time we reach parenthood, our own growth may have stopped. We have arrived, that is, we no longer feel that need to learn which we want our children to feel. If they would only do as we say — think as we do — that would be good enough! The insistence that our children do what we ourselves refuse to do is what destroys the proper relationships; there is no longer a learning partnership. Our failure to maintain this kinship in learning is a form of domineering. Looked at from the child's point of view, he is a know-nothing and the parent the know-it-all. Conflict!

Teacher-Student Relations

Perhaps the best way to shed light on the proper relationship between you and me, husband and wife, parent and child — all close relationships — is to cite an actual case between a teacher and one of his students. My introduction began with a letter from the stu-

dent, a stranger to me. Here it is, abbreviated:

"Sir, I am a freshman at a college in Florida. Seven short months ago I came here believing in Keynesian economics. That is what I had been taught in high school and I had accepted it without question. Since coming here I have been made aware of these fallacies, and due to my teacher, It is like I have been blind and suddenly recovered my sight."

A few days later, the teacher, also a stranger to me and unaware of the student's letter, wrote in part:

"I am a Social Science professor at a private, small liberal arts college. I am very much interested in the freedom point of view and, for the last few months, *have spent time trying to understand the view*". (Italics mine)

Fascinated with these two letters, I invited the professor to one of our Seminars. In getting to know him, I discovered what turned the student from socialism to a free market point of view. This professor is trying to understand; he and his students are partners in the learning process. *They have a common goal: enlightenment!* Contrast this with the parent whose goal is to make the child a carbon copy of himself. The parent may not think of this

as domineering, but he gives that impression to the youngster. In this circumstance, the parent and child are not in partnership but in conflict. This matter of posture applies in all close relationships.

If we wish to put an end to the more horrible consequences of the domineering habit such as state socialism and eventually mass murder, we can do so by nipping it in the bud. This is to say, rid ourselves of the habit where it is born, namely, in our close relationships, whatever they happen to be.

Riddance requires no more than (1) an awareness that the domineering habit — freedom's opposite — is the root of all evil, (2)

an ability to recognize domineering in ourselves and to be done with it, (3) an appreciation that learning is just as much a requirement for the parent as the child, for the teacher as the student, for me as you, as much needed at eighty as eight, and (4) a strict observance of the Golden Rule.

Once we recognize that the vicious domineering of dictators is but the political extremity of the domineering habit that lurks in the mill run of us, we should exclaim, "You rascal, you!" only to the image we see in the mirror. Breaking ourselves of a bad habit is the way to destroy its most malicious manifestation. Remove the source — that's all. 

Aggression Is Always Wrong

"LIBERALS" suffer a myopia, an inability to see that aggressive force is used to build the welfare state. True, there is considerably less outright violence in tax collections for interventionism than in full-scale war. Big Government relies much more on the threat of *force*, rather than on its actual employment, to promote the payment of taxes. But anyone could easily witness the transformation of potential energy into kinetic energy — the threat into the reality — by trying to spend for himself the portion of his taxes which would go for, say, farm subsidies. Not surprisingly, few citizens have made this interesting experiment.

IDEAS ON



LIBERTY

The Roots of

"ANTICAPITALISM"

ERIK VON KUEHNELT-LEDDIHN

IN MANY MINDS, "capitalism" has come to be a bad word, nor does "free enterprise" sound much better. I remember seeing posters in Russia in the early nineteen-thirties depicting capitalists as Frankenstein monsters, as men with yellow-green faces, crocodile teeth, dressed in cutaways and adorned by top hats. What is the reason for this widespread hatred for capitalists and capitalism despite the overwhelming evidence that the system has truly "delivered the goods"? In its mature stage it indeed is providing, not just for a select few but for the masses, a standard of living cordially envied by those bound under other politico-economic arrangements. There are historic, psychological and moral reasons for this state of affairs. Once we recognize them, we might come to better understand-

ing the largely irrational resentment and desire to kill the goose that lays the golden eggs.

In Europe there still survives a considerable *conservative* opposition against capitalism. The leaders of conservative thought and action, more often than not, came from the nobility which believed in an agragian-patriarchal order. They thought workers should be treated by manufacturers as noblemen treated their agricultural employees and household servants, providing them with total security for their old age, care in the case of illness, and so forth. They also disliked the new business leaders who emerged from the middle classes: the *grand bourgeois* was their social competitor, the banker their disagreeable creditor, not their friend. The big cities with their smoking chimneys were viewed as calamities and destroyers of the good old life.

We know that Marx and Engels in the *Communist Manifesto* furi-

Dr. Kuehnelt-Leddihn is a European scholar, linguist, world traveler, and lecturer. Of his many published works, perhaps the best known in America are *Liberty or Equality?* and *The Timeless Christian*.

ously attacked the aristocratic social movement as a potential threat to their own program. Actually, most of the leading minds of Christian anticapitalist thought (equally opposed to socialism) were aristocrats: Villeneuve-Bargemont, de Mun, Liechtenstein, Vogelsang, Ketteler.

**Bias Against Capitalism
Not of Worker Origin**

Armin Mohler, the brilliant Swiss-German neo-conservative, has recently explained that one of the weakest points of contemporary conservative thought, still wrapped in the threads of its own obsolete agrarian romanticism, is its hostility against modern technology. How right he is! The exception might have been Italy with its tradition of urban nobility and of patricians who, even before the Reformation, engaged in trade and manufacture. Capitalism, indeed, is of North-Italian origin. It was a Franciscan, Fra Luigi di Pacioli, who invented double-entry bookkeeping. Calvinism gave a new impetus to capitalism but did not invent it. (Aristocratic entrepreneurs in Italy? Count Marzotto with his highly diversified business empire of textile plants, paper mills, hotel chains and fisheries is a typical example. His labor relations are of a patriarchal nature involving substantial fringe

benefits which also characterize Japanese business practice.)

The real animosity against free enterprise did *not* originate with the laborers. Bear in mind that in the early nineteenth century the working class was miserably paid, and this for two reasons: (1) the income from manufacturing was quite limited (true mass production came later) and (2) the lion's share of the profits went into reinvestments while the typical manufacturers lived rather modestly. It is this ascetic policy of early European capitalism which made possible the phenomenal rise of working class standards. Seeing that the manufacturers did not live a life of splendor (as did the big landowners) the workers at first viewed their lot with surprising equanimity. The Socialist impetus came from middle class intellectuals, eccentric industrialists (like Robert Owen and Engels) and impoverished noblemen with a feeling of resentment against the existing order.

As one can imagine, the artificially created ire then was turned first against the manufacturer who, after all, is nothing but some sort of *broker* between the worker and the public. He enables the worker to transform his work into goods. In this process he incurs various expenses, such as for tools, and a part of the costs of market-

ing. He hopes to make a profit from these transactions in order to render his efforts worth while. Curiously enough, his responsibility toward the enterprise is of far greater scope than that of many workers. No wonder that the interest, once centered on accidents in the factories, is shifting more and more to the manager diseases. The entrepreneur sacrifices not only his "nerves" but also his peace of mind. If he fails, he fails not himself alone; the bread of dozens, of hundreds, of thousands of families hangs in the balance. The situation is not very different in a stock company. There, the stockholders sometimes make profits in the form of dividends — and sometimes they do not. The worker *always* expects to be paid. The bigger risks are thus at the top, not at the bottom.

Yet, how well the worker is paid depends on several factors, the first of which is the readiness of consumers to pay for the finished goods a price high enough to warrant high wages. Here we come to the brokerage side of the capitalist. Secondly, there is the decision of the entrepreneur (sometimes the stockholders) how much of the gross profits will be distributed (as dividends, bonuses, and the like) and how much should be re-invested or laid aside. It is evident that the enterprise, being competi-

tive, has to "look ahead" in a far more concrete way than does the often improvident worker. The business usually must be planned years ahead. It not only has to adopt the best means of production (which means the purchase of new expensive machinery), but also needs financial assets as reserves. Finally, the wages have to be in a sound relationship to the marketing possibilities, and also to the quality of the work done, the sense of duty of the workers and employees. Virtue enters the picture. Even the net profits paid out are not necessarily a "loss" to the workers, because a profitable enterprise attracts investors; what is good for the enterprise obviously is good for its workers.

There is a commonality of interests which can be gravely upset by either side. Needless to say, the most common way to upset the applecart is through excessive wage demands which, if yielded to, tend to eliminate the profits and to make the merchandise unmarketable. Politically organized workers also may pressure governments into inflationary policies. Strikes cancel production for a given period and mean economic loss. The inability to sell due to excessive wages and prices or to protracted strikes can bankrupt the economy.

This mutual relationship be-

tween costs of production and purchasing power is frequently overlooked — especially in the so-called “developing nations.” The insistence on “a living wage,” often by well-meaning Christian critics, in many cases cannot be met without pricing the products out of the market. Such critics forget that workers might prefer to work at a low wage rather than not to work at all.

Saving Begins at Home

One thing is certain: *nascent industrial economies have to start on an ascetic, a Spartan level.* This is true of all economies, free or socialistic. The apologists of the USSR can well use this argument in the defense of Soviet economies in their initial stage, but *only up to a point*: the introduction of socialism in Russia effected immediately a tremendous decline of working-class, peasant-class, and middle-class living standards which, compared with 1916 levels, have *improved only in spots.* Large sectors still are worse off than before the Revolution. A microscopic minority, however, lives very well indeed.¹ In the meantime, free economies have made such enormous strides that the gap between Russia and the West is greater than in 1916. There are two rea-

sons for this state of affairs. First, the Eastern Bloc with the exception of Soviet-occupied Germany, Latvia, and Estonia, completely lacks the famous “Protestant Work Ethic.” Secondly, free enterprise is basically more productive than state capitalism because of: (a) the snowballing of millions of individual ambitions into a huge avalanche, (b) the element of competition based on free consumer choice which improves quality and efficiency, (c) the strictly non-political management based on efficiency and responsibility.

So, whence comes the wave of hatred directed against free enterprise? Dissatisfied intellectuals designing utopias and decadent noblemen do not account entirely for the phenomenon. Though nascent capitalism has not yet “delivered the goods” (children can only show promise, no more) mature capitalism has proved that it can provide. Empirically speaking, capitalism has justified itself in comparison with socialism (for the existence of which we have to be grateful in this one respect).

The assaults against free enterprise are launched with the help of theories and of sentiments, sometimes working hand in hand. Frequently these attacks are made *indirectly*, for instance, by criticizing technology. This critique

¹ See “Free Enterprise and the Russians,” *The Freeman*, August, 1972.

might be genuine, but often serves as a detour. Much of the current antipollution campaign is subconsciously directed at capitalism via technology. (This particular problem is less acute in the Socialist World only because it is less industrialized; it is nevertheless amusing to see the Left embracing all the idle dreams of the old conservative agrarian romanticism.) However, if we examine closely the attack against free enterprise, we find the following elements:

- (1) The charge that business cycles are the consequence of freedom rather than political intervention, though proof to the contrary is well established.

- (2) The attack against the man-consuming, soul-killing, slave-driving forms of modern production. In this domain, however, the main culprit is the machine rather than the human factor. Technology *per se* is strictly disciplinarian. In this respect, socialism or communism would not bring the slightest alleviation. On the contrary! Let us remember the ideal of the Stakhanovite, the absence in socialist countries of genuine labor unions, the limitless means the totalitarian state has for coercion, regulations, and controls. We must bear in mind that the free world also has a competitive

labor market. Man can *choose* the place and conditions of his work.

- (3) The critique of "monopoly capitalism," shared in a milder way by the "Neo-Liberal" school, is opposed to all forms of bigness. Still, in the free world we find that most countries have legislation against monopolies *in order to keep competition alive*, to give the consumer a real choice. Any criticism of monopolies by a socialist is hypocritical, because socialism means total monopoly, the state being the only entrepreneur.

Deeper Resentments

Yet these attacks are frequently only rationalizations of much deeper resentments. At the very roots of anticapitalism we have the theological problem of man's rebellion against Original Sin or, to put it in secular terms, his vain protest against the human condition. By this we mean the curse to which we are subject, the necessity to work by the sweat of our brow. The worker is in harness, but so is the manager and so is everybody else. For this uninspiring, sometimes unpleasant state of affairs, the average man will stick the guilt on somebody; capitalism serves as the convenient scapegoat. Of course, work could be greatly reduced if one were willing to accept a much lower living

standard — which few people want to do. Without the opportunities free enterprise provides for highly profitable work, the living standards would go down to early medieval levels. Still, the resentment against this order is directed not so much against an abstraction — such is human nature — as against *persons*. Thus, the culprit is taken to be the “Establishment” — of the “capitalists.”

This gives us a hint as to the nature of the anticapitalism which has more and more surfaced since the French Revolution and the decline of Christianity: *envy*. Ever since 1789, the secret of political success has been the mobilization of majorities against unpopular minorities endowed with certain “privileges” — particularly financial privileges. Thus, in the nineteenth century, the “capitalist” appeared to be the man who enjoyed considerable wealth though he apparently “did not work” and derived a vast income from the toil of the workers “who have to slave for him.” Apart from the incontrovertible fact that they mostly “slave for themselves,” there is *some* truth to this.

The Entrepreneurial Role

Almost every worker will usually contribute in a minor way to the income of the entrepreneur or of the stockholders. This is per-

fectly natural because a broker must always be paid; and an entrepreneur, as we have said before, is actually a broker between the worker and the consumer by providing the former with the necessary tools and guidance in production. (The merchant is a sub-broker between the manufacturer and the public.) It is also natural to pay for borrowed tools for the simple reason that their value is diminished by use. (Thus the traveling salesman will have to pay for a rented car, the commercial photographer for a rented camera, and so forth.) Beyond this, the entrepreneur (who is, as we have seen, a broker as well as a lender) takes the risk of failure and bankruptcy. This situation also may be encountered in the USSR where anyone can get an “unearned income” for money he puts into a savings bank or where he can buy a lottery ticket. The purchase of such a ticket is based on an expectation (i.e., to make a profit) but also entails a risk (i.e., not to win anything).

Risk characterizes all of human existence: to make an effort without exactly foreseeing its success. Thus, a writer starting a novel or a painter putting the first lines on his canvas is not sure whether he can transform his vision into reality. He might fail. Often he does. The farmer with his crop is in the

same boat. But the typical worker entering the factory can be certain that he will be paid at week's end. It should be noted here that in Austria and Germany, for instance, the industrial laborer works an average of 43 hours a week (the 40-hour week is in the offing), while the self-employed put in an average of 62.5 hours a week. In other words, the rule within our mature economy is this: the "higher up," the greater the work effort — and the higher, too, the work ethics; the slack employee cheats the employer but the slack employer only cheats himself.

Facts and Fiction

The trouble, as Goetz Briefs once pointed out, is that the current notions about the profits of the capitalists are totally out of touch with reality.² The reason for these wrong ideas is partly mathematical! Let us look at some statistics. Too many people think that a radical redistribution of profits would truly benefit "the little man." But what do the figures tell us? According to the *Economic Almanac*, 1962, published by the National Industrial Conference Board, (page 115), of the national income in the United States, the

compensation of employees amounted to 71 per cent; the self-employed earned 11.9 per cent, the farmers 3.1 per cent. Corporation profits before taxes were 9.7 per cent of the total national income (after taxes only 4.9 per cent) and dividends paid out were 3.4 per cent. Interest paid to creditors amounted to 4.7 per cent of the national income. Yet, were the recipients of these dividends and interest payments all "capitalists"? How many workers, retired farmers, widows, benevolent associations, and educational institutions were among them? Would this sum, evenly divided among all Americans, materially improve their lot? Of course not.

In other parts of the world the situation is not much different. According to earlier statistics (1958), if all German incomes were to be reduced to a maximum of 1000 Marks (then \$250.00) a month and every citizen given an even share of the surplus, this share would have amounted to 4 cents a day. A similar calculation, expropriating all Austrian monthly incomes of 1000 dollars or more, would in 1960 have given each Austrian citizen an additional 1¼ cents a day!

But, let us return to corporate profits. The 13 largest Italian companies composed in 1965 a full-page advertisement which

² *Das Gewerkschaftsproblem gestern und heute.* (Frankfurt am Main: Knapp, 1955), p. 98.

they tried to place in the leading dailies of the Peninsula. This statement told at a glance what the dividends had been in 1963, what they were over a 10-year period, what salaries and wages were paid, how much industry contributed to social security and old-age pensions. The relationship between the dividends and labor cost was roughly 1 to 12. The companies added that the estimated number of shareholders (obviously from many walks of life) was over half a million—double the number of the employees. Interestingly and significantly enough, two of the dailies refused to carry the paid advertisement: one was the Communist *Unità*, the other the Papal *Osservatore Romano* whose excuse was that it was published in Vatican City, which means outside of the Italian State.

Rooted in Envy

To the advocate of equality, the fact that certain individuals live much better than others seems to be "unbearable". The internal revenue policies which try to "soak the rich" often have their roots in man's envy. It seems useless to demonstrate that a redistribution of wealth would be of no advantage to the many or that an oppressive tax policy directed against the well-to-do is self-defeating for a country's economy. One usually

will get the reply that in a democracy a fiscal policy which might be economically sound could be politically unacceptable—and vice versa. Pointing out that the spending of wealthy persons is good for the nation as a whole may bring the snap reaction that "nobody should have that much money." Yet, people who earn huge sums usually have taken extraordinary risks or are performing extraordinary services. Some of them are inventors. Let us assume that somebody invents an effective drug against cancer and thereby earns a hundred million dollars. (Certainly, those who suffer from cancer would not begrudge him his wealth.) Unless he buries this sum in his garden, he would help by lending to others (through banks, for instance) and by purchasing liberally from others. The only reason to object to his wealth would be sheer envy. (I would add here that had it not been for the liberality of monarchs, popes, bishops, aristocrats, and patricians it would not be worthwhile for an American to pay a nickel to see Europe. The landscape is more grandiose in the New World.)

Still, it is significant that one of the few outstanding Christian sociologists in Europe, Father Oswald von Nell-Breuning, SJ, not noted for conservative leanings, has recently (*Zur Debatte*, Mu-

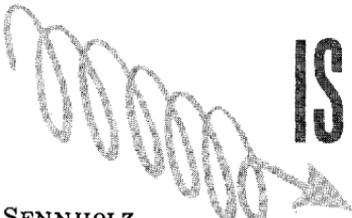
nich, February 1972) taken a firm stand against the myths of the beneficent effects of the redistribution of wealth. As one of the architects of the Encyclical *Quadragesimo Anno* he emphasized that Pius XI was thoroughly cognizant with this incontrovertible fact but that, in the meantime, this knowledge has been nearly lost and that therefore demagogical ideas have largely invaded Catholic sociological and economic thinking. Especially in the domain of "Third World" economic problems, the learned Jesuit hinted, the hue and cry for "distributive justice" has done a great deal of mischief.

It has become fashionable to attack free enterprise on moral grounds. There are people among us, many of them well-meaning, idealistic Christians, who freely admit that "capitalism delivers the goods," that it is far more efficient than socialism, but that it is *ethically* on a lower plane. It is denounced as egotistic and materialistic. Of course, life on earth is a vale of tears and no system, political, social or economic, can claim perfection. Yet, the means of production can only be owned privately, *or* by the State. State ownership of all means of production certainly is not conducive to liberty. It is totalitarianism. It involves state control of all media of expression. (In Nazi Germany pri-

vate ownership existed *de jure*, but certainly not *de facto*.) The remark of Roepke is only too true, that in a free enterprise system the supreme sanction comes from the bailiff, but in a totalitarian tyranny from the hangman.

The Christian insistence on freedom — the monastic vows are voluntary sacrifices of a select few — derives from the Christian concept that man must be free in order to act morally. (A sleeping, a chained and clubbed, a drugged person can neither be sinful nor virtuous.) Yet, the free world which is practically synonymous with the world of free enterprise, alone provides a climate, a way of life compatible with the dignity of man who makes free decisions, enjoys privileges, assumes responsibilities, and develops his talents as he sees fit. He is truly the steward of his family. He can buy, sell, save, invest, gamble, plan the future, build, retrench, acquire capital, make donations, take risks. In other words, he can be the master of his economic fate and act as a man instead of a sheep in a herd under a shepherd and his dogs. No doubt, free enterprise is a harsh system; it demands real men. But socialism, which appeals to envious people craving for security and afraid to decide for themselves, impairs human dignity and crushes man utterly. ☉

The American Economy



IS NOT

Depression-Proof

HANS F. SENNHOLZ

MOST contemporary economists are fully convinced that a major depression of the 1929-1941 variety cannot happen again. It is inconceivable, they say, that the American economy should fall again into such an abyss of despair when more than 13 million Americans were unemployed, when banks and businesses failed by scores and countless farmers lost their land, when nearly everyone suffered painful losses of wealth and income. The tragedy of the Great Depression lives on as a nightmare that frightens everyone especially during periods of recession or stagnation. But our politicians and their learned advisors, the economists, assure us almost in unison that they will not let it happen again. They are solemnly pledging the awesome power of government to prevent another depression.

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The sincerity of their intentions is no more to be doubted than the good will of the policymakers of the Hoover and Roosevelt era who were engulfed by the Great Depression. But it may be questioned that we have learned to avoid the dreadful errors of policy that caused and prolonged the disaster. If we repeat the errors that generated the Great Depression, inexorable economic law assures that it must happen again.

Have our policymakers learned the lessons of the Great Depression? Their explanations and interpretations of economic decline differ little from those offered by the politicians of the 1920's and 1930's. And contemporary economic policies, although far more comprehensive and massive in scope and import, are similar to those conducted by the Hoover and Roosevelt Administrations.

Most economists echo the explanation given by the most famous

and influential economist of our century, John Maynard Keynes. Unemployment and depression are the inevitable result of inadequate effective demand, according to Keynes. Therefore, monetary and fiscal policy should be employed to increase aggregate demand. The nominal amount of money should be increased, which in the short run would cause interest rates to fall, investments to increase, and income to rise. But in case monetary policy would be ineffective, because falling money velocity may counteract an increase in the quantity of money, he recommended direct government investment through government tax cutting and deficit spending.¹

Influential Keynesian disciples, such as Alvin H. Hansen², Paul A. Samuelson³, and Abba P. Lerner⁴

¹ John M. Keynes, *General Theory of Employment, Interest and Money* (N.Y.: Harcourt, Brace & World, Inc., 1936), p. 250; also Alvin H. Hansen, *A Guide to Keynes* (N.Y.: McGraw-Hill, Inc., 1953), pp. 21-22.

² *Monetary Theory and Fiscal Policy* (N.Y.: McGraw-Hill, Inc., 1949); *Business Cycles and National Income* (N.Y.: W. W. Norton & Co., Inc., 1951).

³ *The Collected Scientific Papers of Paul A. Samuelson*, ed. Joseph Stiglitz (Cambridge: M.I.T. Press, 1966); *Economics*, 8th ed. (N.Y.: McGraw-Hill, Inc., 1970).

⁴ "A Program for Monetary Stability," in *Proceedings, Conference on Savings and Residential Financing* (Chicago, Ill.: 1962); *The Economics of Control* (N.Y.: The Macmillan Co., 1944).

played a major role in bringing the Keynesian system to America. They recommended that the government implement a continuous policy of full employment regardless of the state of the budget, which became the law of the land in the Full Employment Act of 1946. And all Federal administrations from Truman to Nixon have since then followed the policy recommendations of the "new economics."

Spendthrift Policies

Most of the "new policies" were already being implemented during the 1920's and 1930's. The spectacular crash of 1929 followed four years of considerable credit expansion by the Federal Reserve System under the Coolidge Administration. But it is futile to look back in history without the proper theoretical framework that explains causes and consequences. The Keynesian historian views past experiences in his peculiar light and therefore quickly rejects all other interpretations. To him, the 200-year history of business cycles is a long record of economic disequilibria that are caused by inadequate effective demand.

This explanation, which has elevated inadequate demand or "underconsumption" to the guiding principle of contemporary economic policy, has been the battle cry

of the spendthrifts of all ages. And countless monarchs and princes rallied in ready acceptance of such doctrines that seemed to justify conspicuous consumption and deficit spending. But unfortunately, their policies always resulted not only in greater misery and poverty of the populace but also instability of state and society. The major political and social upheavals in Western history normally followed years of general impoverishment through wasteful consumption by the monarch or expensive wars staged by the state.

Booms and depressions do not spring from economic freedom and the individual enterprise system. On the contrary, they inevitably result from government disturbances of a peaceful market society. In particular, they follow policies of inflation and credit expansion that are designed to finance government deficit spending or to facilitate greater business expenditures. Ludwig von Mises has clearly shown how the creation of money and credit by our monetary authorities falsifies interest rates and thus misguides businessmen in their investment decisions. The boom phase of the trade cycle is a period of maladjustment in which economic resources are wasted and misused because of false interest rates. Consumer choices and preferences are ignored because the

government, instead of the people, is giving the signals in the capital market.⁵

When the economic boom finally causes business costs to soar and capital returns to fall until great losses are suffered, a recession inevitably sets in. It is unavoidable once monetary authorities have generated the maladjustment through deficit spending or credit expansion. The unemployment of labor and capital must continue as long as the economic structure remains maladjusted through government intervention in the capital and labor markets. The Great Depression taught us this very lesson at a horrendous price.⁶

Booms Applauded, Recessions Deplored

Representatives of the "new economics" never object to the boom phase of the cycle. In fact, they may applaud it as "great years of uninterrupted economic growth," or as a "new plateau," or "new stability." But when the economy finally begins to sag and unemployment quickly rises, they re-

⁵ Cf. Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), p. 538 *et seq.*; also *The Theory of Money and Credit* (New Haven, Conn.: Yale University Press, 1953), p. 339 *et seq.*

⁶ Cf. Murray Rothbard, *America's Great Depression* (Princeton, N.J.: D. Van Nostrand, 1963).

member their Keynesian recipes: spend more and inflate more.

Obviously, the maladjustment that was generated by government interference with the capital market cannot be alleviated by more such interference. The drug addict who is suffering painful withdrawal symptoms cannot be cured by prescribing larger doses of the same drug. But this is precisely the kind of advice Keynesian economists give to their governments. When the national economy begins to falter, they call for more inflation and credit expansion, the very cause of the dilemma. True, the creation and injection of new funds may temporarily prolong the boom by supporting the maladjustments and generating new ones, as the injection of harder drugs in the human body may at first reduce the pain. But to administer ever harder drugs must finally kill the patient, as the injection of ever larger quantities of new funds must destroy the currency through hyperinflation and economic disintegration.

In fact, after several decades of Keynesian policies, we seem to have reached the point where only massive doses of inflation still stimulate the economic patient. Previous rates of inflation, to which we have grown accustomed and learned to adjust, no longer work as stimuli; businessmen im-

mediately adjust to the rates they anticipate. A five per cent rate that has been foreseen well in advance no longer stimulates the economy when it is finally administered. Only higher rates than anticipated still have such an effect. This is also why the Federal deficits must get bigger and bigger. But while the rate of inflation must accelerate in order to provide the Keynesian stimulant, the monetary destruction also accelerates.

In the end, government faces an inescapable alternative: to accelerate its spending and inflating to total monetary destruction, or abandon its policy and thereby save the currency. If it chooses the former, it precipitates a depression through economic disintegration; if it chooses the latter, the depression that was delayed for so long finally will erupt in full severity. No matter which course the government eventually chooses, the contra-cyclical policies are bound to fail. The Keynesian recipe does not make the economy depression-proof. It merely postpones the depression through monetary destruction and thereby makes it worse.

Government Safeguards are Illusory

The followers of Keynes are not the only economists who are convinced that a depression can never

happen again. The monetarists, while rejecting the contra-cyclical recipes of the "new economics," deny the possibility of economic depressions on other grounds. "There have been fundamental changes in institutions and attitudes in the United States since the Great Depression," Prof. Friedman reassures us.⁷ They are rendering a major depression in the United States "almost inconceivable."

Establishment of the Federal Deposit Insurance Corporation in 1933, we are told, was a basic change in American banking that made bank failures "almost a thing of the past." By converting all deposit liabilities of private banks into a Federal liability, the F.D.I.C. eliminated the basic cause for runs on banks, which was the depositors' attempt to convert their claims into Federal currency. Since both deposits and currency are now Federal liabilities, an important cause of credit contractions and economic depressions is said to have been removed.

These economists err in their basic assumption that a depression can be avoided if only monetary contractions can be avoided. Once the malinvestments have been made

and the boom has run its course, the readjustment must necessarily be painful. The depression is an unavoidable phase of the trade cycle once it has commenced. For the central bank then to embark upon credit expansion, in an attempt to prevent the liquidation of malinvestment, can only delay the recovery and thus prolong the depression.

The Federal Deposit Insurance Corporation that, in effect, makes every bank deposit a government liability is designed to prevent the needed liquidation. Of course, it can do this successfully and thus delay the readjustment if newly created funds are used for the rescue action. But where would the government obtain the funds necessary to prevent massive liquidation of bank credit? From its central bank, of course. The stabilizing power of the F.D.I.C., in final analysis, is nothing but the government power to create and emit new money. Therefore, it is necessary to repeat the answer given to the Keynesian spenders: more inflation can merely postpone a depression through monetary destruction and ultimately make it worse.

Deficit Financing

Another change in banking structure that is said to assure economic stability has been the in-

⁷ "Why the American Economy is Depression-Proof" in *Dollars and Deficits* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1968), p. 74.

creased importance of government obligations; the phenomenal growth in government debt has made government liabilities an important part of bank assets, which afford greater stability to the stock of money and credit.

This increased importance of government obligations as bank assets imparts such great confidence to some economists. To others, however, it is a cause for anxiety. It is indicative not only of the changing role of American banking from mediators of credit to fiscal agents of the Federal treasury, but also of the great reliance on the inflationary powers of government. What would be the status of government obligations without the inflation powers to support them? Every budgetary deficit would send U.S. Treasury obligations to new discounts if it were not for the open-market purchases by the Federal Reserve System. But this very support through monetary expansion, while it may succeed in the short run, tends to be self-defeating in the long run as it raises interest rates and thus reduces the market prices of fixed-income obligations. This is why government securities in bank portfolios have been very poor investments ever since World War II, which banks endeavor to avoid wherever possible. In fact, long-term U.S. Treasury obliga-

tions have at times, when interest rates rose significantly, inflicted crushing losses on American banks, losses which dubious accounting practices endeavor to hide. The banking losses then provide an important motive for early resumption of credit expansion.

The Dethroning of Gold

Finally, many of the monetarist economists rejoice about the severing of all links between gold and the internal supply of money. The "dethroning of gold" is said to reduce the sensitivity of the stock of money to changes in external conditions. Removal of gold from public circulation has made us independent at last from the vagaries of foreign influence. Thereby we would avoid monetary contraction which is "an essential conditioning factor for the occurrence of a major depression."

What these economists call the "dethroning" of gold is rather a "default" of paper. After all, it was the creation of massive quantities of money substitutes that caused central banks to default on their obligation to redeem their currencies in gold. But this default did not bring stability and prosperity. On the contrary, it opened the gates for massive inflation and economic instability. The fiat standard is more unstable than the gold-exchange standard,

which afforded less stability than the gold-bullion standard, which in turn was less stable than the classical gold-coin standard. It is true, the default in gold payments did stop the runs on banks; no one in his right senses would want to run for paper money the supply of which is potentially unlimited. But the fiat standard does not make us independent of the vagaries of foreign influence. It has made the international money market more vulnerable than ever before. The U.S. dollar is stumbling from crisis to crisis, with grave dangers to international trade and cooperation and, ultimately, to the stability of the American economy itself.

It is not alone the new monetary structure that affords some economists so much confidence in the lasting stability of the American economy. There is also the fiscal structure. "There can be no disagreement," Professor Friedman asserts, "that the fiscal structure is now an exceedingly important and powerful 'built-in stabilizer'."⁸ Government expenditures, both national and local, now amount to more than one-third of the national income. Although the relative growth of government casts somber prospects for political freedom, it is argued that the change in the character of both expendi-

tures and receipts has stabilizing effects on the business cycle. A broad program of social security, unemployment insurance, and a farm program that supports product prices, all tend to increase government expenditures in depression and to reduce them in prosperity. The same contra-cyclical effects are derived from personal and corporation income taxation, which in boom or recession automatically creates budget surpluses or deficits and thereby offsets from 30 to 40 per cent of any national income change. So goes their theory.

Loaded for Stability

This doctrine of the built-in stabilizers calls to mind the story of the farmer who, before leaving for the market in town, loaded his pack mule with an exceptionally heavy load of potatoes. When his neighbor inquired about the reason for the heavy load the farmer retorted with a gesture of great learning: "On the muddy road to town the beast needs stability. The heavier the load the greater the stability!"

A bit of plain horse sense ought to tell us that the growing costs of government do not afford stability; on the contrary, they are making the "private sector" that is carrying the growing burden of the "public sector" ever more ane-

⁸ *Ibid.*, p. 86.

mic and unstable. True, the heavy burdens can be lightened through massive monetary depreciation. The automatic deficits, from rising expenditures and declining tax revenues during recession, can be financed through currency expansion. But as the Keynesian contra-cyclical policies fail to impart stability to the American economy, so do the automatic fiscal stabilizers.

Finally, we are told that there has been an important change in the psychological climate of America. Before the Great Depression, according to this view, we were more afraid of inflation than of deflation; we wanted "hard money" at all costs. But the Great Depression has changed all that. It has caused public opinion to swing from one extreme to the other. That is why today, after decades of rising prices and monetary depreciation, the public is still seized by a real fear of de-

pression. What the people may not realize, warn the monetarists, is that the ultimate destination of those who follow the path of inflation is destruction of the currency.

One may fully agree that the ultimate effect of these built-in stabilizers is monetary destruction. But what is one to make of the swinging theory? The American public has approved inflation and credit expansion ever since the Coolidge Administration, clung to easy money throughout the 1930's, endorsed rampant wartime inflation during the 1940's, heralded the contra-cyclical policies during the 1950's, applauded the accelerator policies of the 1960's, and still continues to rely on massive deficit spending. The fever of inflation that has infected American economic thought and policy is rising steadily and dangerously. And while it rages, neither the body politic nor the American economy is depression-proof.



The Consumer Theory of Prosperity

IDEAS ON



LIBERTY

THE USUAL effect of the attempts of government to encourage consumption is merely to prevent saving; that is, to promote unproductive consumption at the expense of reproductive, and diminish the national wealth by the very means which were intended to increase it.

JOHN STUART MILL, *Essays on Some Unsettled Questions of Political Economy.*



A PECULIAR tendency of thinking human beings is to behave, not necessarily in response to the facts of a given situation, but in response to what they believe is the situation.

Men who believe there are different kinds of inflation may be convinced that different cures are needed. For instance, if it is a "cost push" inflation, and high wages are believed to be the cost of production most responsible for the extra push, then the obvious cure would seem to be a rollback or other control of wage rates.

Or, if high profits are believed to be responsible for pushing prices upward, then the most likely cure would be an "excess-profits" tax or some such limitation of profits.

The latest new kind of inflation is alleged to be "social inflation" — due to the extra expense of cleaning up air and water, foster-

ing "consumerism," meeting other social goals. And when the doctors of the sick body politic get around to it, they might possibly come to believe that the cure for social inflation is to clamp a lid on Federal spending.

In view of the widespread disagreement about the facts concerning inflation in the United States of America in 1972, let us imagine a comparable situation at some other time and place. Let's say it's the year of the millennium in Utopia and see if we can visualize the facts. Let's further imagine that the residents of Utopia are as bright on the whole as we are, living under what is generally described as a free market economy with quite a lot of government intervention.

For the sake of simplicity let's say that about a third of the laborers in Utopia are members of a union under the leadership of Mr.

Goody. And Mr. Goody says to the boys, "Let's have some inflation; instead of the going wage of \$3.00 an hour, we'll demand \$6.00." But in Utopia there is no way to force an employer to hire anyone at \$6.00 an hour if he doesn't want to; there's no way to force a consumer to buy labor or its product at \$6.00 an hour. So Mr. Goody might have some \$6.00 unemployment, but no \$6.00 labor; and there's practically nothing laborers can do to bring about wage-push inflation.

In Utopia, when a businessman decides to have a little inflation, raise his prices 5 per cent to double his profits, a funny thing happens. Consumers decide they'll buy from other suppliers instead, at the old price; and some businesses change ownership, but there isn't any inflation.

However, when the people of Utopia ask the government to provide additional services without increasing taxes, and the government finances its deficits by printing additional money, then there is inflation in Utopia, "social inflation" caused by pumping nothing but money into the market.

Inflation in Utopia is strictly a monetary phenomenon. If the government prints the money, it is called social inflation. If anyone else prints it, it is called counterfeiting. And that's the fact, the

only relevant fact pertaining to inflation — in Utopia, that is.

We mentioned earlier the possibility that once we've identified this new kind of "social inflation" that plagues the United States in 1972, then perhaps one of the doctors might find a workable cure.

Not bad for a start is advice from Andrew F. Brimmer, member of the Board of Governors of the Federal Reserve System:

"Despite our obvious affluence as a nation, we do not have the capacity to produce enough so that households can maximize their consumption — while minimizing taxes; so that an adequate volume of housing can be built; so that businesses can expand their production facilities at a maximum rate — and also make the investment needed to abate pollution; so that governments can meet the increasing demand for public services — while tax revenues lag behind spending."¹

What the good doctor seems to be prescribing is exercise — of self-reliance and will power. If we don't like inflation then ask the government to stop pampering us and tampering with the money supply and stick to its more appropriate governmental function of policing the market; otherwise leave us alone. ☉

¹ Quoted in *U. S. News and World Report*, June 12, 1972, p. 39.



I Visit a Managed Society

ORIEN JOHNSON

I HAD HEARD of a little town in California which was credited with being an example of efficient government, and one which did an admirable job of providing for the needs of its citizens. I determined to go there some time and see for myself if these things were true, and if so, to bring back some ideas that might prove helpful to citizens of other communities.

This small town of Tamal, with a population of about 2,000 people, was established in 1852 on the shore of beautiful San Francisco Bay, just 20 miles north of the City of San Francisco. In the early days the chief industry was the manufacture of gunny sacks and other rough cordage products made of jute. In April, 1951, a disastrous fire burned the huge mill to the ground at an estimated

loss of \$3,000,000 which left 1,000 men without a job. Gradually other industries were begun. A mattress factory, a cotton textile mill, a large laundry, a detergent plant, a clothing factory, a large furniture factory and several other industries now provide most of the employable residents with jobs.

An official publication described some of the services provided for residents of this unusual community which made me even more anxious to visit the place and to talk to someone who might be enjoying these benefits.

I read that three-fourths of the residents are presently engaged in some aspect of education in a free school system beginning with elementary grades on through junior college level. Half of the students attend classes in the evenings. In addition to teaching skills and vocational training, the instructors

Mr. Johnson, of Mountain View, California, is a counselor in public relations and fund raising.

are "skilled in group behavior." They train students in "terminus goals, inter-personal relationships, proper acceptance of job, work, completion of goals, and to operate cooperatively under supervision."

There are no unions in this town. Instead, a Trade Advisory Committee, representing both management and labor, works to "aid in defining training standards, establishing completion criteria and assistance in job placement." They are concerned with both "vocational competence and the development of constructive social attitudes."

An extensive free recreational program includes several well-equipped play fields and courts for individual and competitive sports, and facilities for staging music and variety shows by resident or visiting talent.

I was amazed to note that none of the residents ever apply for Medicare simply because all of the medical facilities of a 150-bed fully accredited hospital, an outstanding therapy X-ray unit, and services of well-qualified consultants and specialists of the San Francisco Bay Area are readily available, and all at no cost to any of the patients.

In spite of these many benefits, I noticed a paragraph describing the work of the Narcotic Treat-

ment Control Unit which is a live-in situation treating a large number of persons with drug abuse problems. A copy of the weekly newspaper lists the regular meetings of an Alcoholics Anonymous chapter. Serious crimes also make headlines in this newspaper from time to time, mostly of a violent nature such as stabbings, clubbings, fights, riotings and murders. Evidently, not all is as idyllic as one would presume in this managed society.

Meet Lamar Knighton

I finally got a lead on a man who worked as a linotypist on the local newspaper and found out he would be glad to meet with me and answer any questions I might have about life as he saw it in this welfare city. I found also that this man was a reader of *The Freeman* magazine and that he subscribed fully to the libertarian philosophies of its articles.

I arranged a time to go to Tamal and to look up my new friend, Lamar Knighton, to determine, if possible, how he squared his philosophies with his life.

The fog was just beginning to lift as I drove into town. Seagulls were wheeling in circles above the shore as I slowed my car to enjoy the view of the islands in the Bay. A row of small, run-down houses lined the street overlooking the

water. The other side of the street dropped off in a grassy meadow to the shore.

After I'd driven about three blocks the street was completely blocked with a huge iron gate. A sign pointed to a parking lot; I found a place to park my car, and walked back to a small building at the gate.

A large, muscular guard, dressed in an olive-colored uniform asked me who I wanted to see.

"Lamar Knighton," I said.

He shuffled through some files in a cabinet and asked for some identification. I showed my driver's license, and he asked me to sign in on a large register book. A buzzer unlocked the door and I walked about 100 yards to another small building. Here I was asked to empty my pockets into a tray on a counter and step through a metal-detector gate.

My next stop was a waiting room where I was told I might sit to wait while Lamar was located and paged. In about thirty minutes a voice sounded over the speaker system, "Knighton visitor." A man nodded toward a door.

I walked up two steps and through the door into a large room. There I saw several rows of long tables running the length of the room with people sitting on each side. On one side sat men, women, and children. On the other

side sat only men dressed in blue-jeans and blue shirts.

A voice said, "Mr. Johnson?" I saw a handsome man about 35 years old who introduced himself to me. "I'm Lamar Knighton," he said. "Glad to see you, neighbor."

I said, "Well, I'm glad to see you finally. I had to go through a lot of red tape, but here I am."

We started talking and I learned that Lamar was a native of Texas, had once been a meatcutter, had served a hitch in the Army, and was now operating the linotype machine in the newspaper office. We started talking about liberty and Lamar told me of his special interest in the subject and how he spends most of his spare time writing essays which he sends to anyone who will read them.

What Is Liberty?

I had to attend to some business in San Francisco, but promised to write and to come back for other visits. I signed out and walked to the parking area. The gulls were still tracing lazy freedom circles in the breeze. A few sailboats dotted the Bay. The wind whistled through the tall pine trees on the point. "What is liberty?" I asked myself as I looked back at a stone tower manned with armed guards who would shoot to kill any unauthorized person who attempted to escape from that *managed so-*

ciety. Surely I could answer that simple question after such a visit. But my thoughts refused to focus. I wanted only to *experience* the liberty I now enjoyed. My eyes turned again to the free-flying birds. My ears caught the sighing in the trees. I breathed deeply of the fresh salt air. I picked up a stone and splashed it into the waves. These were the symbols that translated all my philosophies into experiential realities. This I knew as freedom. I needed no words. They would come later as I would challenge Lamar to interpret his freedom concepts as a prisoner in San Quentin penitentiary.

Permission was granted to me to visit this man in the famous 120-year-old institution through the courtesy of a new nonprofit group known as Job Therapy of California. Part of its service is the man-to-man (M-2) visitation program in which citizens volunteer to make one visit a month to a prisoner. I had signed up as a sponsor and was matched with Lamar Knighton, who also had volunteered for the program. My only other commitment is that I will meet Lamar at the gate of San Quentin on the day of his release, and spend the day with him as he begins a new life on the outside. I am not to give or lend him any money, nor take him to stay

in my home. I serve only as a friend, to encourage him to earn his own way and build the kind of life that will be most helpful to himself.

Doing an Article . . .

After several visits in which we exchanged ideas we had discovered from books and periodicals, our friendship began to grow. Between visits we would write essays on various aspects of freedom. I resolved on my next visit to get Lamar's view of the managed society in which he lived. On this particular day I took the freeway that runs along the beautiful coastal range that extends from San Francisco down the Peninsula. Patches of fog were clinging to the top of the redwood hills and a brisk wind tossed whitecaps across the Bay and under the Golden Gate Bridge.

The same guard in the gatehouse asked the same familiar question: "Who do you want to visit?"

"Lamar Knighton," I replied.

"Please show your identification." I produced my driver's license.

"Sign in, please." I signed my name in the visitor's register and the time (9:40 A.M.) in the appropriate spot.

"What do you have in the briefcase?" he asked.

"Some papers," I said. "I'm doing an article for a magazine and want to ask Lamar some questions."

"That's really not supposed to be done," he said. "Tell the guard at the desk in the visiting room so he'll know what you're doing."

"Okay," I promised and began the walk to the next building. I wonder what that rule is for, I asked myself. I'm not the prisoner. Why do they put such restrictions on me? I'm getting a real taste of the managed society. A man in front of me was having difficulty clearing the metal detector. Every time he walked past the machine it blinked a red light and emitted a sharp buzz. Everything was removed from all of his pockets; still, the machine was picking up some metal object on his person.

"Take off your belt," the guard said.

The man pulled off his belt and held his pants up as he walked through the space. By this time several other visitors were waiting in line, including wives and girl friends of prisoners, which added to the man's embarrassment as he finished dressing in front of us. I was next and cleared the machine in my first attempt.

Official Delay

At 9:50 I deposited my pass on the desk of the guard in the wait-

ing room and was told to take a seat on the hard oak benches. At 10:50 I was still thumbing through some old magazines, but my visitor hadn't arrived. I waited another 20 minutes and asked the guard if his call for Knighton had gotten through. He picked up the phone and spoke to another guard station. "He's just cleaning up and is on his way in," he said.

At 11:40 — two hours from the time I signed in at the outer gate — a voice came in over the amplifying system, "Knighton visitor."

I saw Lamar sitting at the table and nodded to him as I walked to the elevated guard desk. "I've got some papers with me," I told the guard. "I'll be interviewing my visitor and thought I'd tell you so you'll know what I'm doing."

He shook his head. "I'd better call the Captain," he said. In a few minutes the Captain came in and said, "What's going on here?" I told my story to him, and gave him a weak smile, but it didn't break the ice. He stared at me a moment, then without a word turned and walked off. I took this as some sort of reluctant approval and arranged my pad of papers on the table and started talking to Lamar.

"When did they call you?" I asked.

"Just about ten minutes ago. I came right over."

When I told him I'd been cooling my heels almost two hours, he smiled knowingly and said, "Now you're beginning to experience a little of what I run into every day. It's all part of the system."

"But don't any of the inmates have anything to say about issues like this?"

"Oh, sure, we can complain, and I will; but they won't pay any attention."

"Surely the inmates have some official avenue of communication to the top," I suggested.

"We have the MAC (Men's Advisory Council)," Lamar said, "but their main hassle is trying to decide which radio station we can listen to. We only have two stations we are allowed to listen to. I would like to get some classical music once in a while, but never get to."

"What about other leisure activities?" I asked.

"We can watch television, read, or talk during *Honor Block*, but all of our other time is supervised."

"What is your work schedule?"

"Seven hours a day for 5 days a week."

"How much are you paid?"

"\$7.50."

"An hour?"

"No, a month," he said. "And this is based on your seniority in the job training program."

"Can you strike?"

"Are you kidding?"

"Can you shop around for a better job and compete for higher wages?"

"No. I might apply for another job-training course but wages would have nothing to do with it."

Other Restrictions

He knew what I was doing and began to think of other aspects of his life which might compare with a managed socialist government.

"My travel is of course rigidly restricted and supervised. I have no choice of doctors or hospitals if I get sick. The education is as bad here as it is in any state-controlled system—teachers run through their prescribed courses just to draw their salaries. We have no right to assemble in meetings to hear any views contrary to those of the administration. We have no elections. We couldn't start a new religion of our own, but must take what is provided for us."

"There's another question I must ask," I said. "Do some men get used to this form of life where their physical needs are provided for and everything is managed for them?"

"That's the sad truth," he said. "Some dudes simply don't like to make decisions. They are perfectly willing to have this parent-child relationship for the rest of their

days. They get released and in a few months back they come. It's a vicious circle. The *managed society*, as you call it, is devastating to our initiative. Being dependent upon the system for our basic needs makes us like children, not men. Then when we get out in competition we can't cut it, so back we come to the parental nest."

"What does that do to you, as a student of liberty and independence?"

"I have to fight it all the time," he said with a sad note in his voice. "It's like a dark blanket of gloom. Most of the guys are shot through with negative thoughts. I come on trying to be cheerful and optimistic and they look at me like I'm a kook. It finally got to me the last couple of weeks. I was hit with a bad case of depression." It occurred to me then that I hadn't received a letter from him and I should have known something was wrong.

Destroying Initiative

Dr. Karl Menninger, in his book, *The Crime of Punishment*, quoted Gresham Sykes (*The Society of Captives*) as saying, "The frustration of the prisoner's ability to make choices and the frequent refusals to provide an explanation for the regulations and commands descending from the bureaucratic staff involve a profound threat to

the prisoner's self-image because they reduce the prisoner to the weak, helpless, dependent status of childhood The imprisoned criminal finds his picture of himself as the self-determining individual being destroyed by the regime of the custodians."

On my way home I drove through the old Haight-Ashbury section of San Francisco. A few years ago this was the mecca of the "flower children" — advocates of the completely undisciplined philosophy of life. Their utopian dream soon collapsed. The buildings are even more run-down than ever. A few miserable heroin addicts shuffle through the streets or sit in a stupor on the steps. The same pallor of gloom that afflicts Lamar in San Quentin hangs heavy over this blighted area. Why did the experiment fail at Haight-Ashbury? Because the flower children were dependent for their existence upon food stamps, welfare checks, the largesse of a few social agencies, and upon drugs to give them a feeling of euphoria to be able to endure such a miserable life. Dependency kept them bound in perpetual childhood just as dependency keeps citizens under the control of a managed government. Children, you know, are much more easily managed than adults.

Before I arrived at my home I began to cool my resentment to-

ward the unknown guard who neglected to put my call through when he should. After all, I was not a paying customer. His job does not depend upon service, but only upon compliance with regulations. He is paid by the state. Under the same situation I might act with similar discourtesy. And the Captain? He probably deals constantly with lawyers trying to dig up "social injustices" to keep him in eternal hot water. Under similar circumstances my own milk of human kindness might curdle, too. I do not blame these men, nor any of the San Quentin officials. They are doing a thankless job which,

under our present system of dealing with criminal offenders, has to be done. But they, too, must resist the pallor of gloom that results from the debilitating effect their managed society produces upon their charges and upon themselves.

I came through this experience resolved to double my efforts to resist a growing climate of opinion aimed at making all men dependent upon a custodial government. The admirable struggle of my new inmate friend was aptly stated in his closing remark during my latest visit. "I am determined not to be conditioned to apathy." ❁

There Must Be Freedom

THE MOST DRASTIC deprivation which any person can suffer is that of the freedom to utilize and enjoy the faculties which nature has given him and which his will and desire have developed. Keep a man from exercising his mind, his body, his faculties in the pursuit of his own wishes and delights, keep him from enjoying the fruits of his efforts — and you have done everything evil to him that you can. The greatest desire of each person, in short, is to be free to get the most he can out of life. There is no other way objectively to define social goals than to call them the sum of those individual goals which can be harmonized in society.

IDEAS ON



LIBERTY

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

16

Making the
Constitution

. . . I feel it a duty to express my profound and solemn conviction . . . that there never was an assembly of men charged with a great and arduous trust, who were more pure in their motives or more exclusively or anxiously devoted to the object committed to them to . . . best secure the permanent liberty and happiness of their country. — James Madison

It is too probable that no plan we propose will be adopted. Perhaps another dreadful conflict is to be sustained. If to please the people, we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise a standard to which the wise and honest can repair. The event is in the hand of God.

— George Washington

EVEN THOUGH this was an era studied with felicitously worded documents and momentous pronouncements, all of these pale beside the Constitution of 1787 — the United States Constitution. It stands alone among them in the impact it has had, in its imitability, and in the role it has had in the lives of generations that were then yet to come.

Dr. Carson recently joined the faculty of Hillsdale College in Michigan as Chairman of the Department of History. He is a noted lecturer and author, his latest book entitled *Throttling the Railroads*.

All this is quite remarkable. Certainly, Congress envisioned no such document when it sent out a call for a convention. Nor could most of those who assembled in convention see how, at the outset, they could overcome the difficulties in the way of drawing a satisfactory constitution. Even were a masterpiece produced, it appeared most likely that it would be rejected by the states. Few have ever remarked it, yet it may well be that the most amazing thing of all is that the Constitution was not the work of a single man, or even of two or three, but of a convention. It is a commonplace that committees produce little of value; but here, by a group larger than most committees, the exception was made to happen.

Some have described what happened as more than remarkable; it has even been called a miracle. George Washington wrote to Lafayette that it was "little short of a miracle that the delegates from so many different States (which States you know are different from each other), in their manners, circumstances and prejudices, should unite in forming a system of National Government, so little liable to well-founded objections."¹ Miss Catherine Drinker Bowen's recently published book on the convention is called *Miracle at Philadelphia*. Whatever it was,

or should be called, all who are open to an examination of the evidence will admit that it was an extraordinary event.

Off to a Slow Start

Even so, the convention did not get underway any more auspiciously than did most other assemblages in that age; it was called for May 14, but there was not a quorum to do business until May 25. It was no easy matter to assemble men from over the length and breadth of the United States; delegates from Georgia, say, had a formidable distance to travel, and even an early start did not necessarily lead to a prompt arrival. In any case, promptness was better calculated in weeks than in hours.

The Virginia delegation was the first appointed by a legislature, and its members began to arrive in Philadelphia before other out-of-staters. It was an impressive delegation, including among its members some of that state's leading citizens; George Washington, Edmund Randolph, George Mason, and James Madison. (George Wythe, one of the best legal minds in America, put in an appearance but left shortly to attend his dying wife.) Most of the Pennsylvania delegates did not have to make a journey to get to Philadelphia, so that they were avail-

able from the beginning. It was an impressive delegation, for it included Benjamin Franklin, Robert Morris (who, if he was there, remained silent during the debates), Gouverneur Morris, and James Wilson.

The New England states were not only the slowest in appointing delegates but also theirs were among the last to arrive. Rhode Island rejected the invitation to appoint delegates. (The absence of Rhode Islanders was not considered a handicap during the convention, for that state's behavior was so universally deplored that men did not gladly seek the counsel of her citizens.) The New Hampshire delegates were exceedingly late; two of the four appointed finally arrived on July 23. (They could not come earlier because the state had not provided for their expenses.) New York appointed three delegates—Alexander Hamilton, Robert Yates, and John Lansing—, rather reluctantly, we gather, for Yates and Lansing withdrew after a short period of attendance and Hamilton was absent for an extended period. Over all, twelve states had 55 delegates in attendance at one time or another. From most indications, the greatest concern for a stronger general government was among the delegates from the states located from New Jersey southward.

The leadership in the convention came mainly from four states, and in this order: Virginia, Pennsylvania, Connecticut, and South Carolina. Two other state delegations played some considerable role: New Jersey and Massachusetts. Delegates from other states were generally less conspicuous during the debates, though Luther Martin of Maryland and George Read of Delaware would have led if they could have attracted followers.

Qualifications of Delegates

The delegates were as well qualified as could have been assembled in America, qualified both by experience and training. Among them were thirty-nine who had served at one time or another in Congress, eight who had signed the Declaration of Independence, eight who had helped draw state constitutions, one, John Dickinson, who is credited with the first draft of the Articles of Confederation, seven who had been chief executives of their states, and twenty-one who had fought in the war. Thirty-three were lawyers, and ten of these had served as judges. About half of them were college graduates, more from Princeton than from any other institution.²

Both youth and advanced age were represented at the conven-

tion. The youngest delegate was Jonathan Dayton of New Jersey at twenty-six; the oldest, Benjamin Franklin, who was, as he said, in his eighty-second year. The average age was in the low forties. Some of the leaders, however, were rather young: Charles Pinckney of South Carolina was only 29, Gouverneur Morris 35, and James Madison 36. They were counterbalanced by men of middling years and extensive experience, for example; John Dickinson 54, Roger Sherman 66, and John Langdon 67.

George Washington Called

George Washington almost did not come, even though his presence at the convention was essential — for it was generally agreed that he was America's first personage. When he was informed of his election, he asked that someone else be appointed in his stead. He gave two reasons why he should be excused: one that now appears trivial, that he had already declined an invitation to attend the convention of the Society of the Cincinnati which would be meeting in Philadelphia at about the same time; the other, however, was good enough reason in any age, for he was suffering so from rheumatism that he could turn in bed only with the greatest difficulty, and men do not gladly leave the

comforts of home when they are ill. Friends so earnestly urged him to attend, however, that he changed his mind.

Washington arrived at Philadelphia before the convention was scheduled to begin. It had long since become difficult for him to go anywhere quietly, and there was good reason to publicize this trip. He was met at Chester by a troop of horse which escorted him into Philadelphia where cannon were fired and bells rung.³ The fact that Washington had arrived gave notice that the convention was important and that laggards should make haste to get there. When the convention was organized, Washington was elected, un-animously (as when was he not?), to preside, an office which he took so seriously that he attended each session, though it was the most oppressively hot summer in the memory of Philadelphians. If Washington could endure it, others could and did. He was a man of stern visage, impressive physique, and high seriousness; with him in the chair, the convention could hardly be anything but what it was, a deliberative body which pursued its business in an absence of frivolity and without stooping to personalities. Though Washington did not participate in the debates until the closing days when he made a brief speech, there was

no doubt where he stood on the Constitution. He signed it gladly, and took care to let men about the country know that he approved of it. The men in the convention were aware that when they looked toward the chair, they were gazing at the man who would almost certainly be the first President of the United States. This emboldened those who wanted a strong President to make the office powerful, for they were confident that Washington would not abuse such powers. Gouverneur Morris wrote to Washington a few weeks after the convention to describe the importance of his role:

I have observed that your name to the new Constitution has been of infinite service. Indeed, I am convinced that if you had not attended the Convention, and the same paper had been handed out to the world, it would have met with a cooler reception, with fewer and weaker advocates, and with more and more strenuous opponents.⁴

Franklin's Role

Benjamin Franklin was the other most prominent American; his hold on the affections of his countrymen was not so great as that of Washington, but his international fame was such that any gathering which had the benefit of his counsels gained in reputation. Though he was getting old — in

fact, was old —, his mind was still clear, his vast fund of experience still at his command, and his accomplishments as a raconteur still led men to seek his company. He was not only aged but also infirm. He had to be carried in a sedan chair to the sessions, and he wrote out any but the briefest of remarks so that they could be read to the convention by his fellow Pennsylvanian, James Wilson. Franklin contributed most to the convention by avuncular admonitions to the delegates to compromise, to compose their differences, and to put aside so much of their personal desires as might be necessary to accomplish the object at hand. When the convention appeared to be so near to breaking up over the question of equal or proportional representation, Doctor Franklin said: "When a broad table is to be made, and edges of planks do not fit, the artist takes a little from both, and makes a good joint. In like manner here both sides must part with some of their demands, in order that they may join in some accommodating proposition."⁵ At another point, he proposed that the sessions be opened with prayer, for he seemed to think that the influence of religion might link them together in their efforts to arrive at a new system. At the close of the convention, Franklin made an elo-

quent plea to get those who were holding out to sign what they had helped to make. In a speech, read by James Wilson, Franklin said, among other things:

I confess that there are several parts of this constitution which I do not at present approve, but I am not sure I shall never approve them: For having lived long, I have experienced many instances of being obliged by better information, or fuller consideration, to change opinions even on important subjects, which I once thought right, but found to be otherwise. It is therefore that the older I grow, the more apt I am to doubt my own judgment, and to pay more respect to the judgment of others. . . .

On the whole, Sir, I can not help expressing a wish that every member of the Convention who may still have objections to it, would with me, on this occasion doubt a little of his own infallibility, and to make manifest our unanimity, put his name to this instrument.⁶

His advanced age may have increased the influence of his spirit of accommodation, but he had been adept at the arts of politics and diplomacy long before the contentions of young men tired him.

Though the convention was not a large body, a few men did most of the speaking and a great deal of the other work of hammering out the Constitution. The leaders

included: Madison, Mason and Randolph of Virginia, Gouverneur Morris and Wilson of Pennsylvania, Charles Pinckney and Rutledge of South Carolina, Ellsworth and Sherman of Connecticut, King and Gerry of Massachusetts, and, perhaps, Paterson of New Jersey. According to one tabulation, Gouverneur Morris spoke on 173 different occasions; Wilson, 168; Madison, 161; Sherman, 138; Mason, 136; and Gerry, 119.⁷

James Madison

James Madison has frequently been described as the Father of the Constitution. Certainly, he was one of its principal architects. He was not impressive to look at; judging by his appearance it would have been easy to have mistaken him for a clerk. He was quite short and thin, "Little Jemmy," they called him, "no bigger than a half cake of soap." Nor was he an orator; he spoke in such a low voice that those keeping journals often missed a part of what he said. He made up for these shortcomings, however, with intellectual acuity, sharp insight, and tenacity in the pursuit of his object. Moreover, he had prepared himself for the task of making a new constitution. Much of his time in the months before the convention had been spent in reading, and mas-

tering, the literature on government. A plea to Jefferson in Paris had brought a plethora of books to augment the supply at home. The Virginia Plan, from which the Constitution emerged, was presented on the floor by Governor Randolph, but Madison had undoubtedly done much of the work on it. He might be said to have mothered the Constitution, too, because he devoted himself to it exclusively during the months of the convention. His recollection was that he not only attended every session but that he was never absent for more than a few minutes, and he was certain that he could not have missed a single speech of any duration. He kept copious notes of the speeches, and they are judged to be the most reliable record of what was said. This was a marathon undertaking itself, but he also spoke frequently, and at length, with a masterful show of erudition.

Gouverneur Morris

Gouverneur Morris was, however, the most dazzling speaker in the convention, an orator whose learning and close reasoning gave an irresistible thrust to his forensic skill. He had been maimed both in arm and leg, stumped about on a wooden leg, but it is difficult to think of him as a cripple, for he was reputed to be quite a lady's

man and known for being a *bon vivant*. Madison and Morris were men who knew what they wanted, who pressed the convention step by step in their direction, who took care to see that what they had won by their reasoning was not lost in the maneuvers over detail, but who yielded gracefully when they were outvoted.

There must have been many moments of high drama during the convention, but I think the most eloquent speech fell from Gouverneur Morris. The occasion was the discussion of the counting of slaves for purposes of representation. "He never would concur in upholding domestic slavery," Morris said. "It was a nefarious institution. It was the curse of heaven on the States where it prevailed. . . . Proceed southwardly and every step you take through the great region of slaves presents a desert increasing, with the increasing proportion of these wretched beings. . . . The admission of slaves into the Representation when fairly examined comes to this: that the inhabitant of Georgia and South Carolina who goes to the Coast of Africa, and in defiance of the most sacred laws of humanity tears away his fellow creatures from their dearest connections and damns them to the most cruel bondages, shall have more votes in a Government insti-

tuted for the protection of the rights of mankind, than the Citizen of Pennsylvania or New Jersey who views with a laudable horror so nefarious a practice. . . . And what is the proposed compensation of the Northern States for a sacrifice of every principle of right, of every impulse of humanity. . . ? He would sooner submit himself to a tax for paying for all the negroes in the United States, than saddle posterity with such a Constitution."⁸ It is generally believed, too, that Morris did much of the work of the committee on style which transformed the disparate elements which had survived the debates into the congruous whole we know as the Constitution—sparse, brief, and potent with phrases that have since been etched into American consciousness by court decision and other action or inaction.

Giants Among Men

Impressions tumble over one another of the men during the sessions of the convention: of George Washington presiding from his high-backed chair, leaning forward to try to discern the order of the proposals from amidst the welter of motions made from the floor, forbearing to speak on the issues because it would not be proper; of James Madison, scrib-

bling away at his notes, taking the floor to make a point, retiring to his quarters at the end of the day to flesh out his notes and review what had been done; of the proud and passionate Edmund Randolph, a young politician already in mid-career, presenting the Virginia Plan to the convention, vacillating on issues as the Constitution took shape, unwilling at last to sign the handiwork of the convention which had been shaped from his proposals; of James Wilson, tenaciously pressing for a national government, rising yet once again to speak for giving the people a more direct role in the government; of George Read, difficult to listen to but determined to be heard, single-mindedly arguing for a more powerful executive; of craggy Roger Sherman, whose face would stop a clock but whose arguments moved the convention toward the accomplishment of its task; of Charles Pinckney, young, brash, but sufficiently brilliant in debate to command the attention of the others; of George Mason, early and late a defender of the rights of man, working with an obvious good will to shape the Constitution, but at last unwilling to sign it; of John Dickinson, theoretician of resistance in youth, coming to fame with his daring employment of reason, now grown

older declaiming: "Experience must be our only guide. Reason may mislead us."⁹; and of Jonathan Dayton, the youngest man there, rising to second what had not clearly been a motion by Gouverneur Morris on the evils of slavery and saying: "He did it . . . that his sentiments on the subject might appear whatever might be the fate of the amendment."¹⁰

Among the Missing

Though the convention was composed of as impressive an assemblage of men as could have been got together at any time, there were some prominent Americans not there. John Adams was out of the country, doing his best to represent the Congress before the royal court in London. Adams had lately published a book which surveyed the constitutional arrangements of various countries, a book whose influence might have been greater if its author had been present at the convention. Thomas Jefferson was in Paris as Minister to France. Any gathering without him was missing one of the American luminaries. Several of the firebrands of the Revolution were missing, if not missed, for they were better known for heat than light. Among them were: Samuel Adams who was not chosen, Richard Henry Lee and Patrick Henry who did not choose to

attend, and Thomas Paine who was in Europe trying to promote a project for steel bridges in the interlude between revolutions. Probably if some of these men had been there they would have given such vociferous support to the idea of including a bill of rights that it would have been done, thus removing what turned out to be *the* major objection to the Constitution.

Rules of Order

The convention was organized so as to proceed about its business without interference from outsiders or without inhibiting full discussion. The sessions were held behind closed doors; no record of what was said or being considered there was to be released without the approval of the convention. There were no galleries to be played to, no press to be placated. Strict rules governing the behavior of members were adopted. For example:

Every member rising to speak, shall address the President; and whilst he shall be speaking, none shall pass between them, or hold discourse with another, or read a book, pamphlet or paper. . . .

A member shall not speak oftener than twice, without special leave, upon the same question; and not the second time, before every other, who had been silent, shall have been heard, if he wish to speak.¹¹

The convention operated on the rule that no decision on any particular of the constitution should be considered final. This enabled the convention to adjust the parts to one another as alterations were made.

The convention was remarkable both for its orderliness and for the absence of rancor among the members. On the one or two occasions when tempers flared, the strong feeling quickly subsided. There did appear to be some impatience in the last few days with going over ground already covered. Even so, an effort was made in the last days to make changes that might satisfy the few hold-outs from signing. It is necessary to read but briefly into Madison's notes to get the feeling that these men were taking very seriously what they were doing, that though their task was urgent everything must be considered with great care. Above all, many were determined to stick with the undertaking until something had been completed to present to the public.

Doubts and Differences

It was well that they were, for their object lay on the other side of a thicket of uncertainties, doubts, and differences. Even what they were supposed to do at the convention was in doubt. The resolution adopted by Congress

calling the convention declared that it was to be for the "sole purpose of revising the Articles of Confederation." It was clear enough what Congress had said, but these men were gathered to represent their states and were supposed to act under their instructions, if any. The instructions differed enough one from the other that a good case could be made that the convention could do what its members thought best. Most of those gathered agreed with the idea that their task was to construct a plan for a new system of government, or accepted it without cavil. The few who did not could leave, and some did.

It was only with some difficulty that they agreed on how they would vote. Delegates from several states were bent on having representation in the new government based on population or wealth, as the Virginia Plan provided. They would have the best chance of getting this into a constitution if the states had votes in the convention proportionate to their populations. There was no likelihood, however, that the smaller states might agree to this, so the convention votes were by states, each state having one vote regardless of how many delegates there were, just as in the case of the Congress. If a state's delega-

tion was tied in a vote, that state's vote would not be counted. A majority of the states present and voting was sufficient to any decision.

States' Rights

Sentiment had been building for some time that, if there was to be an effective union of the states, the general government must have the power to use force on individuals. This, as many saw it, was the only way to "render the constitution of the Federal Government adequate to the exigencies of the Union . . .,"¹² as the declaration drawn at the Annapolis Convention the year before had described the need. A man named Stephen Higginson had written to General Knox earlier in 1787 describing precisely what needed to be done: "The Union must not only have the right to make laws and requisitions, but it must have the power of compelling obedience thereto. . . ."¹³ Washington had written to Madison in March: "I confess . . . that my opinion of public virtue is so far changed, that I have my doubts whether any system, without the means of coercion in the sovereign will enforce due obedience to the ordinances of a General Government; without which every thing else fails. . . . But what kind of coercion, you may ask. This indeed will require

thought. . . ."¹⁴ Washington wrote to John Jay in the following vein: "I do not conceive we can exist long as a nation without having lodged somewhere a power which will pervade the whole Union in an energetic a manner, as the authority of the State Governments extends over the several States. . . ."¹⁵

There was no way, however, of contriving a general government which could compel obedience without encroaching on the powers of the states. Indeed, any attempt to work out such a plan had major obstacles in the way. Both theory and history militated against divided sovereignty. Theory said it could not be done; history afforded no clear-cut examples of its having been successfully done. If sovereignty could not be divided, if a general government was to have coercive power, then the general government would have to be sovereign and the states become but districts in a nation. There were men at the convention who saw it this way and were ready to grasp the nettle.

Firm Determination to Preserve State Sovereignty

But such a plan had little hope of ratification, if any. Madison described some of the difficulty in a letter to Edmund Pendleton before the convention:

. . . The necessity of gaining the concurrence of the Convention in some system that will answer the purpose, the subsequent approbation of Congress, and the final sanction of the States, presents a series of chances which would inspire despair in any case where the alternative was less formidable.¹⁶

But if Madison had not known beforehand that the states would be jealous of their powers and prerogatives, he would have found out soon enough in the convention. George Mason, his fellow Virginian, expressed his determination to preserve the vitality of the states in calm but measured words: "He took this occasion to repeat, that notwithstanding his solicitude to establish a national Government, he never would agree to abolish the State Governments or render them absolutely insignificant. They were as necessary as the General Government and he would be equally careful to preserve them."¹⁷ Luther Martin of Maryland said that he agreed with Mason "as to the importance of the State Governments. He would support them at the expense of the General Government which was instituted for the purpose of that support. . . . [T]hey are afraid of granting powers unnecessarily, lest they should defeat the original end of the Union; lest the powers should prove dangerous to

the sovereignties of the particular State which the Union was meant to support; and expose the lesser to being swallowed up by the larger."¹⁸ Doctor Johnson in contrasting the Virginia and New Jersey Plans (the Virginia Plan calling for representation to be apportioned according to wealth and/or population while the New Jersey Plan called for representation by states), brought some of the difficulties out in the open. He noted that James Wilson and James Madison, advocates of the Virginia Plan, did not propose to destroy the states. "They wished," he said, "to leave the States in possession of a considerable, though a subordinate jurisdiction. They had not yet however shown how this could consist with, or be secured against the general sovereignty and jurisdiction, which they proposed to give to the national Government."¹⁹

A Unique Situation

Some held that they were departing from experience even to try to contrive a government which depended upon divided sovereignty. Others argued that the American situation was unique, that history afforded no clear model for it, and that they must innovate. Charles Pinckney summed up the peculiar situation of America in vigorous exposition:

The people of this country are not only very different from the inhabitants of any State we are acquainted with in the modern world; but I assert that their situation is distinct from either the people of Greece or Rome, or of any State we are acquainted with among the ancients....

Our true situation appears to me to be this—a new extensive Country containing within itself the materials for forming a Government capable of extending to its citizens all the blessings of civil and religious liberty—capable of making them happy at home. . . .²⁰

Reason is the sword of the young; experience the shield of age. Some of the young men at the convention were for casting a new system, but others wanted no such heady innovation. In any case, the states must be preserved.

Some of the proponents of an energetic general government declared that there was little danger to the states to be expected from it. They appealed to the history of confederacies to show that time and again it was the states who had intruded upon and broken up the general government. Others appealed to a broader experience to show that where power was confided in any government it tended to crush all opposing power.

A Government Worth Serving

The general government must have sufficient power and prestige

to attract able and dedicated men into its service. The energy of government proceeds from the men in it, as John Francis Mercer of Maryland argued. "It is a great mistake to suppose that the paper we are to propose will govern the United States. It is the men whom it will bring into the Government and interest in maintaining it that is to govern them."²¹ Americans of that time were familiar with something that their descendants know little about: of government with so little of power and prestige that able men would not deign to serve in it. A seat in the Congress was hardly coveted by the first citizens, and state governments found it difficult to attract men of ambition and integrity. Some men in the convention were loath to provide much reward for serving in the general government, on the ground that men would be attracted for reasons of personal gain rather than service. Alexander Hamilton answered the argument this way: "We must take man as we find him, and if we expect him to serve the public must interest his passions in doing so."²² The idea was vigorously pushed in the convention of limiting the length of time a man might serve in the general government as well as making those who left office ineligible for appointive office for a

time. James Wilson argued against this idea; he "animadverted on the impropriety of stigmatizing with the name of venality the laudable ambition of rising into the honorable offices of the Government. . . ." ²³ James Madison said: "The objects to be aimed at were to fill all offices with the fittest characters, and to draw the wisest and most worthy citizens into the Legislative service." ²⁴ He doubted that this could be done by hedging them around with ineligibilities and disqualifications.

Checks and Balances

Once grant the points that sufficient power be authorized to attract strong men into government and impart energy to it and to give the general government power to act directly upon individuals, however, all were agreed that checks must be introduced on this power. Gouverneur Morris thought the following principles must be introduced:

. . . Abilities and virtue, are equally necessary in both branches. Something more then is now wanted. 1. The checking branch must have a personal interest in checking the other branch, one interest must be opposed to another interest. Vices as they exist must be turned against each other. . . . 3. It should be independent. ²⁵

James Madison declared that if it "be essential to the preservation of liberty that the Legislative, Executive, and Judiciary powers be separate, it is essential to a maintenance of the separation, that they should be independent of each other." ²⁶

Separation of Powers

Yet, to accomplish this was a most difficult task. In the British system there were different classes to be represented, each class providing an independent base for its representatives. In America, there was no such actual division of the population. In Britain, the monarchy and the secular members of the House of Lords held hereditary positions, adding another dimension to their independence. But Americans neither had nor wanted hereditary officials. Hence, the problem: functions might be separated from one another readily, but how could those in the different branches have different sources of their power? Some were for having the executive chosen by Congress. But others pointed out that, if this were the case, he would be dependent on that body. Judges might be appointed by the Senate, but if that body might also remove them from office where was their independence? Probably, more time was spent on the question of how the executive

should be chosen than any other, though it did not excite the emotions the way the matter of whether representation in Congress should be based on population or by states did.

Above all, there was the question of how those who were to govern could be made sufficiently independent of their electors to make wise decisions without posing fatal dangers to the liberties of the people. Undoubtedly, if the government was to be republican it must be based on voters from among the people. Nor, as some men never tired of saying, was it to be doubted that those whose rights were involved were the best protectors of them or that the ballot box was the place to do it. Some thought that frequent elections would be the best means of protecting the people. Roger Sherman observed that "Government is instituted for those who live under it. It ought therefore to be so constituted as not to be dangerous to their liberties. The more permanency it has the worse if it be a bad Government. Frequent elections are necessary to preserve the good behavior of rulers."²⁷ Others questioned this principle, for they noted that a too close dependence of the government on the people resulted not in wise and stable government but in the pandering of politicians to the tempo-

rary and changing opinions of the populace. Madison had said just prior to Sherman's remarks that the objective of the constitution was "first to protect the people against their rulers; secondly to protect the people against the transient impressions into which they themselves might be led. . . ." A "reflection . . . becoming a people . . . would be that they themselves . . . were liable to err . . . from fickleness and passion."²⁸ Alexander Hamilton pointed out that lately "the Government had entirely given way to the people, and had in fact suspended many of its ordinary functions in order to prevent those turbulent scenes which had appeared elsewhere."²⁹

Principles Not Compromised

Perhaps, enough of the difficulties have been recounted to illustrate the fact that the Founders were wrestling with real practical and intellectual problems at the convention. Some twentieth century historians have attempted to interpret their differences in terms of class interests and other factors. It is not necessary to do this in order to account for the debates; it also drags in matters extraneous to the subjects at issue. Moreover, such an account does not explain the compromises that were eventually made; if men were moved only by narrow interests they

would have been expected to cling to their views rather than compromise.

Compromise they did, however, in many matters that initially divided them. Indeed, some historians have gone so far as to describe the Constitution as a "bundle of compromises." The phrase has sometimes been used derogatorily to imply that on issue after issue men had yielded up their principles to the expediency of accommodating a welter of interests. Yet, a compromise need not be a yielding of a principle; it may well be the result of sacrificing narrow interest to the general well being. So it was, quite often, at

the convention at Philadelphia; men advanced narrow and limited views in the debates but arrived at great principles through compromise. The stately, but simple, rhythms of the Constitution as it came from the committee on style captured principle after principle in its verbiage, meshed them together into a symphonic whole, and provided the plan for the government of an empire for liberty. That it could be done appeared most unlikely at the outset. That it had been done was not so clear at the time. That it was done seems now a miracle. It is, therefore, appropriate to examine these principles.

• FOOTNOTES •

1 Quoted in Charles Warren, *The Making of the Constitution* (New York: Barnes and Noble, 1937), p. 737.

2 *Ibid.*, pp. 55-56.

3 *Ibid.*, pp. 99-100.

4 *Ibid.*, p. 730.

5 James Madison, *Notes of the Debates in the Federal Convention of 1787*, Adrienne Koch, intro. (Athens, Ohio: Ohio University Press, 1966), p. 227.

6 *Ibid.*, pp. 653-54.

7 Warren, *op. cit.*, p. 125.

8 Madison, *Notes*, pp. 411-12. The present writer has taken the liberty of modernizing the spelling and using complete words rather than the abbreviations as they appear in the original.

9 *Ibid.*, p. 447.

10 *Ibid.*, p. 412.

11 *Ibid.*, pp. 25-26.

12 Jack P. Greene, ed., *Colonies to Nation* (New York: McGraw-Hill, 1967), p. 511.

13 Quoted in Warren, *op. cit.*, p. 38.

14 *Ibid.*, p. 44.

15 *Ibid.*, pp. 17-18.

16 *Ibid.*, p. 50.

17 Madison, *Notes*, p. 159.

18 *Ibid.*, p. 159.

19 *Ibid.*, p. 163.

20 *Ibid.*, p. 185.

21 *Ibid.*, p. 455.

22 *Ibid.*, p. 175.

23 *Ibid.*, p. 177.

24 *Ibid.*, p. 178.

25 *Ibid.*, p. 233.

26 *Ibid.*, p. 311.

27 *Ibid.*, p. 195.

28 *Ibid.*, pp. 193-94.

29 *Ibid.*, p. 196.

ELIOT

and HIS AGE

IT WAS HARDLY the "age of Eliot" when the poet and critic whom Russell Kirk calls "the greatest man of letters in his time" was alive and active. Shaw, Wells, and Hemingway, to pick examples at random, had much greater names. Nevertheless the title of Mr. Kirk's book, *Eliot and his Age* (Random House, 463 pp. \$12.50) has an *ex post* justification: the dominant literary and philosophical trends of the earlier Twentieth Century are manifestly dying, while Eliot's "moral imagination," which penetrated to the heart of what Mr. Kirk calls "the Permanent Things," is bound to have more and more influence as time goes on.

T. S. Eliot was considered very much a contemporary symbol for a few brief years when his *The Waste Land* was taken to be the poetic counterpart of James Joyce's *Ulysses*. The children of

the "lost generation" accepted *The Waste Land*, with its vivid images of decay, as the definitive statement of a negative philosophy. It had been published in *The Dial*, which Professor Copeland of Harvard considered decadent. With lovely women stooping to automatic folly, with hollow men leaning witlessly together, and with people dancing around prickly pears instead of mulberry bushes, Eliot's early poetry evoked a world without values. The contrast with the literature of the ages of belief was painful, even as Joyce's "odyssey" in modern Dublin, when stacked up against the Homeric model, was painful. But pain was delight in those days; we reveled in our agnostic gloom.

If *The Waste Land* set the anarchic mood of the early Nineteen Twenties, when all the faiths were questioned, it can't be said that

Eliot dominated anything when, with the essays of *For Lancelot Andrewes*, he suddenly proclaimed himself in 1928 to be a classicist in literature, a royalist in politics, and an Anglo-Catholic in religion. The generation that had taken *The Waste Land* to be a full statement of an enduring despair felt that Eliot had lost touch with reality. The new faiths that were a-borning at the end of the Twenties and in the early Thirties were secular, the politics of the time accepted commissars but not kings. As for "classicism," how could the author of *Prufrock* and *The Waste Land* have any truck with such sterile categorizing? He had broken a mold, departed from tradition, and now here he was extolling tradition. Eliot's friends in Bloomsbury were mystified, if not aghast.

Prophet or Anachronism?

As a magazine editor and essayist in the Thirties, Eliot was accepted as a prophet by a few and as an anachronism by the many. Most of his contemporaries in England had gone Left; the Spanish Republicans, manipulated more and more by the Communists, were all the rage. In America the young flocked to the New Deal and the proletcult took over in the New York publishing companies. It was distinctly not the "age of Eliot."

Russell Kirk, who came of age as a writer in the Nineteen Fifties when the new conservative movement was just getting started in America, cannot really believe that Eliot's magazine, *The Criterion*, was generally regarded in the pre-World War II period as a futile effort to put back the clock. But if Kirk can't quite conjure up the anti-Eliot flavor of the Thirties, his very inability to credit the potency of the socialist and interventionist trends in politics and the power of agnosticism in the spiritual realm has enabled him to see Eliot clear. Kirk sees things in *The Waste Land* that we couldn't see a generation ago. Eliot was always fascinated by Dante, and Eliot's own career was destined to have a symbolism that might be summed up in Dantesque terms. *The Waste Land* and *Prufrock* were Eliot's Inferno. He struggled out of his earthly hell through the purgatory of his *Ash Wednesday*. The Paradiso was to come later, when Eliot, defending the idea of a Christian society, found that he could believe in a religion based on revelation and authority.

Going deeply into Eliot's contemporary journalism as well as into his poems, plays, and books of essays, Mr. Kirk turns Eliot into a Johnsonian figure of plain common sense. Eliot's comments on

the march of the dictators, his criticism of Britain's conservatives for their failure to solve the problem of the social crisis at home and to arm the empire for the coming war against Hitler, have the true prophetic ring. They can stand reprinting as the contemporary observations of the Webbs, the Shavians, the Wellsmans, and the writers of the Bloomsbury clique cannot. The wonder is that they had such little impact at the time.

Bulwark for Conservatism

But if the pre-World War II Eliot was a prophet without honor both in his native United States and in his adopted England, he is having his delayed effect. Kirk has managed to turn him into a mighty bulwark for Burkean conservatism. The inner order, as both Edmund Burke and Russell Kirk insist, must affirm cultural and religious continuity. The outer order, the achievement of a true commonwealth, will take care of itself if the inner order is based on what Mr. Kirk calls Right Reason and a faith that accepts both the morality and the mystical sense of an unseen ruler of the universe.

Kirk is against what he calls Demon Ideology; human nature, as he sees it, must revolt against the effort to force life into patterns that come from the brain of

a Hegel, a Marx, or even an Adam Smith. Society has an organic continuity that includes many logical inconsistencies, and Kirk is willing to accept the organic as against the dictates of individual rationality and private judgment. As a practical matter, I can see why the organic must be defended against those who would abolish inconsistencies by invoking force; a sane commonwealth must move slowly when it comes to abolishing anything that has become dignified by tradition. If we don't move slowly, we end up killing each other. But the Burkean position necessitates a willingness to accept some fuzziness at the edges that makes critical discourse unsatisfactory.

I wish I could be sure I knew what Kirk means when he speaks of Right Reason. He leaves me groping fuzzily for definition. If reason can be wrong, isn't it a sign that it is unreasonable in the first place? Again, Kirk speaks of the "higher reason," which transcends "neat constructions." If Kirk, emulating Eliot, is merely saying that there are things we must take on faith (life is rooted in mystery), I can follow him. But I don't know what he gains by the hypostasis that is implied by the use of such terms as Right Reason, the Higher Reason, the Permanent Things, and Demon Ideology. They

demand what might become whole libraries of qualification, and so they become thought-stoppers instead of thought-liberators.

In general, however, Kirk is plain enough. The Burkean tradition, which he exemplifies, cannot be reconciled with Five-Year Plans, or with centralized controls and dictated prices. T. S. Eliot's Burkean common sense implies a general defense of the free market, which makes Kirk's latest book relevant for readers of an economic journal. Incidentally, the book, which is not a biography, contains enough biographical material to satisfy those who are curious about one of our great exiles. In all, it is a most distinguished work.

► **THE IDEOLOGICAL IMAGINATION** by Louis J. Halle (Chicago: Quadrangle Books, Inc., 1972) 174 pp., \$6.95

Reviewer: Edmund A. Opitz

THIS COMPACT book is divided into thirty-nine short, pithy chapters; the style is terse, sometimes aphoristic. It reads like good conversation. A dedicated totalitarian might not get the message, but these pages will surely help the earnest student of society trace the "Gadarene progress" of the nations from 1789 to 1984. The political disasters of this period pro-

ceed inexorably from a wrong assessment of human nature and the human condition, and no improvement is possible except as individual persons reorder their own priorities.

It is an observed fact that people differ, one from the other, in their beliefs, their interests, their talents. A free society, such as the nation contemplated by the authors of *The Federalist*, seeks to accommodate this diversity, and to profit from it. Most modern nations, however, are under the sway of an ideology which contends that state power should be used to impose uniformity on the masses; those who differ, those who dissent from the ideology are reprogrammed or liquidated. In whose minds were conceived the notion that human nature is to be made over? What books argued that this is the task of politics? What is the origin of the modern outlook which persuades so many to perpetrate, or endure, or acquiesce in the monstrous evils of the Twentieth Century?

The author touches upon the straightforward authoritarianism of Hobbes, devotes a couple of pages to Hegel, but dwells at length on the contributions of Rousseau and Marx to the moulding of the ideological imagination. There is more to Rousseau than Halle allows, but ideas were

launched which turn man into a sick animal and then offer a cure that compounds the disease. The type of man who has emerged in ever increasing numbers since the French Revolution is less concerned with people and things than with his own feelings about people and things; he's forever fingering his pulse, calculating his responses, examining his motives, and as a result he feels estranged from his fellows. He needs the warmth of the herd to heal the hurt of alienation, and thus is driven to submerge his individuality and escape personal responsi-

bility in the Marxist state, whose claims on him are total.

But the claims are fraudulent; rulers and ruled alike are but fallible men and the ideas which keep them in their respective places are phony. We are men and not gods, and should conduct our lives accordingly. "It seems to me," Halle writes, "that the primary concern of any individual who feels he has a light to live by must be to live by that light himself; it must be with the constant improvement of his own standards; it must be with the level to which he is able to raise himself." 



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Back to Basics-

FABLE OF THE BERRY PICKERS



W. A. PATON

ACHIEVING and maintaining an intelligent awareness of the economic process — the means and methods by which man makes a living on this rugged planet — requires understanding, and firmly gripping, a few fundamentals. Only in this way, I've long believed, can even the observing and thoughtful individual develop an immunity to economic nonsense, avoid being hoodwinked and misled by proposals and programs presented by politicians and pseudo-reformers, in bright colors, that range from the downright fraudulent to emotional daydreaming.

As the first fundamental to be considered in beginning the systematic study of economics I propose the truism: *The total amount consumed can't exceed the total*

amount produced. This is an indisputable fact of life if we rule out manna from heaven and either take in the whole race or assume a self-sufficient group, large or small.¹ It has the special merit, as an initial stepping stone on the path to knowledge and understanding, of being applicable to any community or society, however made up, whatever the production methods and kinds of output, whatever the form of government and other institutional arrangements, and without regard to customs, habits, attitudes, religious views, and so on. Thus it holds in the case of a primitive tribe (ignoring the story-book case of finding food by merely stretching out a hand while lolling comfortably

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.

¹ Not to deny, of course, the possibility of a level of consuming in excess of output in a specific time-period, by tapping stores. Some will recall the account of the seven lean years following seven fat years in Egypt, long ago.

on a sandy beach or on the grass in the pleasant shade of a palm tree), and is also valid in the complex type of economy, endowed with an advanced technology, with which we are familiar. This proposition should perhaps be regarded as an adaptation of Say's law, which proclaims the equality — and identity — of supply and demand in the aggregate, and is likewise a universal truth, not to be gainsaid, anywhere, in any economic framework.

Basic Proposition One is so plainly in view to any intelligent mind that calling for its stressing may seem to be hardly necessary. In today's cloudy atmosphere, however, I feel that there is ample justification for explicit statement and restatement of this inescapable limitation on the many schemes designed to banish poverty — as officially defined — that are being currently proposed. To puncture the dreams of pie-in-the-sky with which the air is filled — to counter political promises to provide this or that level of living for everybody — there is surely need for renewed emphasis on the point that the total amount we can eat depends on the size of the pie rather than the cutting pattern.

Production Is Primary

Here I come to an important corollary of Proposition One: *pro-*

duction, not consumption, deserves recognition as the primary sector of economic activity. This position conflicts with the widespread and persistent tendency to be concerned with the consumer's needs and problems — a tendency that has currently found expression in a wave of governmental interference in producing and marketing processes, and a lot of popular clamor for more of the same. The ultimate objective of economic activity, of course, is to provide goods to meet consumer needs. This is just as true in an economy equipped with an elaborate structure of factories and machines, and yielding a wide range of consumable commodities and services, as in a primitive community subsisting on the results of hunting and fishing. We don't use machines simply to make more machines. But since the level of consuming, in total, depends on the level of output it may well be urged that maintaining and enhancing productive efficiency is the matter of prime importance, and worthy of broad popular support. Thus the long history of opposition to technical advance, and the current slackening of concern as to diligence and workmanship on the assembly line and elsewhere, are at odds with Proposition One, so can't be justified in terms of overall welfare and progress. Preoccu-

pation with "consumerism", to the neglect of improved use of available resources, and expansion of productive capacity through capital accumulation, does not represent praiseworthy public policy. The campaign to "protect" the consumer by government action becomes especially objectionable when it reaches the point — as it now has — where business firms are subjected to a degree of harassment that clearly impedes operation and increases costs. Indeed this state of affairs is truly ominous, and should be viewed with alarm rather than acclaim. The wheels of production don't keep on rolling automatically, without an encouraging overall climate and the efficient participation of all hands — attendants and operatives, technicians, managers, and fund furnishers.

Opening the Door on Problems

Acceptance of Proposition One, with the accompanying view of economic activity as a dichotomy of producing and consuming, solves no problems. But recognition of this axiomatic, universally applicable, feature of economic life does provide a useful approach, a good starting point, for further study; it serves to open the door to an examination of important issues and problems.

The bare statement of Proposi-

tion One leaves untouched the criteria of "producing" and "consuming" and further inquiry is needed to ascertain the essential character of these broad divisions of economic activity, particularly in an economy where specialization and exchange are highly developed and a myriad of consumer commodities and services flow from a complex array of plants and equipment. What are the earmarks of productive conduct versus nonproductive action? It's easy to say that producing consists of making a contribution somewhere along the production pipeline but this doesn't tell us much. For one thing we must distinguish between economic and noneconomic goods (the latter being rather hard to find these days, when even the air breathed may not be entirely free of cost to the user or someone else). And who or what determines the composition of the output either in a particular enterprise or for the whole economy? Proposition One, as such, leaves this important question unsettled.

The problem of drawing a line between the producing and consuming stages, and distinguishing resources employed in producing ("capital goods") from end product ("consumer goods"), is less important, but perhaps deserves a few comments. Where does production end and consumption begin?

For example, is the housewife's activity in preparing the family meal and setting the table in the producing sector or a step in the process of consuming? Are the oranges in the picker's basket, or in a package or pile in the supermarket, or even on a shelf in the pantry, to be counted as resources devoted to production? The fussy folks insist that the true consumable is not even the glass of orange juice on the breakfast table but the satisfaction derived from drinking it. This line of inquiry becomes of some consequence in periodic economic measurement in the case of consumer durables such as cars, washing machines, and residences.

Proposition Two

The second underlying proposition that should be stressed — as I see it — in launching systematic study of economics may be phrased as follows: *the individual (or family unit) has the inherent right to consume or otherwise dispose of what he (or the unit) produces* — a restatement of the old saying that the worker is entitled to the “fruits of his labor”. This fundamental can hardly be regarded as a truism, and certainly is not an arithmetic axiom. Its support must be found in human nature and motivation, with an eye open to the limitations imposed on consuming by the amount of output

available. Undoubtedly there is at least a trace of a sense of fairness and justice in most people and some degree of acquiescence in the merit of this second proposition. It is indeed a dull child who doesn't promptly see the distinction between his toys and those of a playmate, and who will fail to protest when his sand castle is demolished by someone other than himself. Close observation of human behavior, moreover, currently and historically, brings to light much evidence of blighting effect on the productive effort of the individual of the seizure by others of all or part of the results of such effort.

Acceptance of Proposition Two has always been widespread in the primitive and simple situation, and we don't need to go back to Robinson Crusoe to bring this fact to light. On the current scene, in the midst of all the confusion and folly with which we are beset, there are few who would propose or attempt to justify despoiling someone of the product that plainly results from his personal effort. Thus we see no campaign to commandeer for the use of others the product of the chap who has planted and tended a garden patch, or built a raft to use out at his cottage on the lake, or made a couple of rustic chairs for the porch. But the same people who show a willingness to go along with this prin-

ciple in these elemental, clear-cut cases, often become confused and change their stance completely, when confronting the complex requirements of a modern economy, with its elaborate structure of division of labor and exchange, pouring forth a fantastic variety of commodities and services. And it is not difficult to become a bit bewildered by our intricate network of methods and techniques and maze of related markets, with their many millions of interdependent participants, coupled with an impressive array of business organizations and an all-pervasive web of monetary and credit facilities. Indeed, the only way for the intelligent layman to avoid being befuddled, and victimized by the clever humbug peddlers, is to acquire a solid understanding of a few ever-present fundamentals, as I've already pointed out.

Tom and Dick as Berry Pickers

As a means of bringing out sharply this familiar lack of insight and consistency of attitude I often employed in my classes an example that I labeled the "Fable of the Berry Pickers" (along with much other illustrative material). While a boy on the farm I spent literally hundreds of hours, over a period of years, picking wild raspberries for my mother, and became quite expert as a picker.

And this experience undoubtedly accounted for my use of this fable in my teaching. I'll outline the story here, as I recall presenting it in my beginning course in "principles of economics".

Assume a big swamp, with many acres of wild red-raspberry bushes, to which no one claims title or maintains any financial interest. On a particular summer day two neighbor boys, Tom and Dick, equally equipped with pails and both physically fit, spend ten hours in the swamp picking berries, as directed by their respective mothers. Tom is a careful, persistent, systematic picker, with a strong urge to make a good showing. Dick, in contrast, is a carefree and careless lad, who likes to roam around among the bushes, picking sloppily here and there. At day's end Tom has sixteen quarts of clean, ripe berries, while Dick has about twelve quarts of a mixture of green, overripe, and good berries, with a liberal sprinkling of leaves and small twigs throughout. With this condition, I'm sure you will all agree, Dick cannot reasonably lay claim to a share of Tom's berries, and I don't believe that many of you would object to Tom's conduct if he should reject the idea of pooling and dividing equally the results of the day's operations, if Dick — or anyone else — should propose such action.

Tom and Dick in the Berry Plant

Now let's move on a few years with our berry story. Tom and Dick have grown up and both are employed by a company that has been established in the neighborhood and is engaged in growing and canning berries for the market. Diligent Tom has moved up the ladder to the position of operating manager of the plant, but Dick has not advanced beyond the status of sweeper and handyman. Each is paid weekly by check for his services and the amount of Tom's check is about four times that of Dick's. What are the equities, the respective rights, in this situation? Should a substantial slice of Tom's money income be seized by taxation or other form of coercion for use to supplement Dick's earnings, or render assistance to some other person or persons regarded as needy poor, or expended in some other way without Tom's consent? Many people seem to be willing to approve such arbitrary action, including most of those who would not support taking part of the berries Tom picked as a boy and awarding them to his inefficient fellow-picker, Dick.

If it be assumed that the respective contributions of Tom and Dick to the output of the plant at which they are employed are being accurately determined it follows that Tom is just as fully entitled

to spend the money income he receives as plant manager as he sees fit as he had a right to consume or otherwise dispose of all the wild berries he personally picked in the swamp, years before.² The two cases, with this assumption, are on all fours, and anyone who holds otherwise is throwing logic and common sense to the winds. Those who don't agree with this conclusion either fail to grasp the basic identity of the two situations, or don't mind being inconsistent when it suits their convenience or is in line with their prejudices.

There is a possible out, however, for persons who give lip service, at least, to the need for fair-mindedness, consistency, in thinking

² The intervention of the money and credit mechanism, a necessary instrument to facilitate specialization and exchange, should certainly not be allowed to obscure the basic facts, although many people at times seem to be blinded by fixing their attention on the flow of cash or equivalent rather than services or other economic contributions for which payment is being made. I'm reminded of a tussle on our city council one evening years ago, during my five-year experience as a member, when a fellow councilman proposed that one of our firemen be dismissed because he lived in a community outside our city limits, and spent "his entire salary" in his home neighborhood rather than where he worked. I had some trouble in getting support for the point that the main question for us was not where or how the chap got rid of his cash but the *value of the services he provided* to our fire department.

and conduct. They may challenge the assumption that the contributions of Tom and Dick to the output of the berry plant are fairly and accurately determined; they may urge that in practice — in real life — the Toms are overpaid and the Dicks underpaid. In the system as it stands, they may contend, common labor is exploited and managers and owners are on the gravy train. There is certainly widespread expression of opinion to this effect.

(There should perhaps be mentioned here, parenthetically, the view that the more efficient and productive individuals should be forced to share the results of their efforts with their less capable brethren, and currently this extreme position has a great deal of support. The advocates of this stance are of course refusing to acknowledge the validity of Proposition Two, as well as ignoring or minimizing the probably adverse effect on total output of large-scale and persistent seizure and diversion of the contributions made by the more energetic and competent individuals.)

Measuring Productivity and Awards— Major Alternative Systems

Via Propositions One and Two I have now come to the crucial measurement problem and issue: How is the contribution of the in-

dividual participant to be determined in a complex economy such as that in which we find ourselves where a host of individuals join hands, so to speak, in operating an elaborate, highly mechanized, productive process or system? And should any limitation be placed on the right of the individual to consume or otherwise dispose of the amount of his contribution, validly measured?

The study of economics consists essentially in searching for an answer to these questions. It is precisely at this point that the battle between competing isms and ideologies is joined. In the existing situation the determination is still largely made by the forces of an intricate structure of markets, and hence systematic economic inquiry must include an intensive examination of the price-making forces of the market, and their results, at all levels. Such an examination, including a survey of historical evidence, will undoubtedly provide a substantial backing for the conclusion that a broad and free market structure, registering automatically and impersonally the net impact of the attitudes and reactions of many buyers and sellers to changing conditions, has long since proved itself as a truly amazing instrument for directing productive activities and awarding shares of output to participants in

the process. Unfortunately our markets are now so heavily laden with interferences and restrictions, especially through governmental intervention and control, that a free market structure, with strong competitive pressure present throughout, no longer exists, and this condition constitutes an obstacle in analyzing and appraising the performance of a market system under more favorable circumstances.

In any event, no fair and firm judgment can be reached, as to the merit and potency of a market apparatus in measuring contributions to production, slicing up the output pie for the Toms and Dicks, without giving careful attention to the limitations of this instrument at the best, as well as under conditions of substantial interference. The fact that ingrained superstition, traditions, taboos, and other attitudes and traits, may make the development of a suitable market structure difficult if not almost impossible, should also not be neglected. Some consideration, moreover, must be given to the proper means to be employed to relieve acute economic distress in a humane society, even if the market is generally relied upon to guide both production and distribution of final

output, with adequate recognition of the inclination of the Toms to take steps — voluntarily — to ameliorate the hardships of the Dicks.

The major alternative to reliance on the market for economic guidance, I'm sure we'll all agree, is statism, collectivism, some form of governmental, bureaucratic, compulsion. And I strongly believe that the study of economics, in colleges or elsewhere, should include a careful, thoroughgoing examination of the case for this alternative, as it has been made by the outstanding defenders and advocates of socialistic programs, including the dictatorial system represented by modern communism. The route to sound conclusions is not by way of glorification of the market and wholesale condemnation — without study — of the socialist approach. Taking something for granted in this world is seldom advisable.

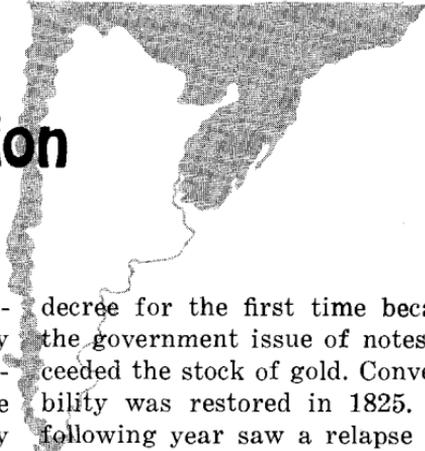
This brief statement, I should make it plain in conclusion, is intended to do nothing more than provide a crutch on which the intelligent and inquiring layman may lean, and outline a useful approach — push open the door — to the crucial measurement problems and issues which deserve intensive study. 

The Argentine Inflation

ALBERTO BENEGAS LYNCH, JR.

THE ARGENTINE political and economic evolution seems so closely correlated with her monetary situation that it may be said that the history of this nation is principally the history of its currency.

The period of national organization following emancipation from Spain in 1810 until adoption of the Constitution of 1853 was marked by internal struggles and long periods of despotism and anarchy, interspersed with times of relative peace and progress. One of the first measures taken by the national government was to establish the gold content of the "hard peso." Thus in 1812 a "hard peso" weighed almost two grams of pure gold. In 1822 the first official bank was founded: the Bank of Buenos Aires, entrusted with the issue of the first bank notes, called Argentine pesos, which were exchanged by the public at the rate of 1.8 grams of minted gold. In 1823 conversion was suspended by



decree for the first time because the government issue of notes exceeded the stock of gold. Convertibility was restored in 1825. The following year saw a relapse into the bad policy of increasing the currency without backing and the peso again became inconvertible. On this occasion, it was mistakenly said that in this way the war with Brazil could be financed "more comfortably." The resultant inflation brought with it political and economic instability and seventeen years of tyranny and barbarity, demolishing what had been achieved with difficulty in the immediately preceding years.

This situation of moral and economic prostration lasted until adoption of the Argentine Constitution in 1853, described by one of its most important authors and proponents, Juan B. Alberdi, as the document under which respect and guaranties for private property were commanded.

In a second period we may include almost a century, from 1853 to the rise of Peron in 1943, a period of enviable economic progress

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which brought Argentina to eighth place among the civilized nations of the world. Within the first 75 years we enjoyed, almost without interruption, the advantages of the classical gold standard, a bank note being exchanged for 1.7 grams of gold. We say almost without interruption because in 1876, at the same time as the establishment of the National Bank, and at intervals until 1890, the currency was again issued without backing, conversion being temporarily suspended as a consequence. In 1891 the finances were again put to rights and convertibility restored at a rate of 1.42 National pesos to a gram of gold. In the course of time, however, there were successive devaluations until convertibility was prohibited entirely in 1928, at which time 5.16 National pesos exchanged for a gram of gold.

In 1932, instead of restoring the Conversion Board and returning to the classical gold standard, Argentina turned to that sadly renowned bankers' bank: the Central Bank. This period, which lasted until 1943, was still one of progress owing to the strict limits placed on the authority of the bank and to the reliability and prudence of the government authorities of the time. But even with the best intentions, the establishment of the Central Bank

laid the foundations of the State control of the currency which inevitably followed.

From the military coup of Peron in 1943 until he was overthrown in 1955 marked the darkest moments of Argentine history. The entire banking system was reformed. The Central Bank was transformed from a relatively independent body into the lackey of the government, thus allowing capricious control over currency and credit. The policy of deficit spending became the rule; open market operations were carried out systematically in order to inject "fresh money" into circulation; rates of interest were manipulated at will; bank reserve requirements were constantly lowered by governmental action. In addition to such monetary policy, compulsory membership in trade unions was imposed, the level of taxation became exorbitant, international trade was totally controlled through huge bureaucratic organizations with their various tariffs and quotas and subsidies. To complete the governmental interference in the market, price controls were imposed throughout the economy. This suicidal policy provoked an unprecedented economic situation: Argentina was reduced to one of the lowest rungs among the so-called "under developed nations." Monetary reserves were sadly de-

pleted; international trade fell to a quarter of its earlier volume; real incomes and salaries contracted sharply; indebtedness increased; agriculture and cattle raising, so basic to Argentina's economy, were largely despoiled; many subsidized and protected industries were created as a further burden on the people; all in the midst of a terrible moral corruption.

Unfortunately, the Peronist economic policy of socialistic tendencies has persisted to a greater or lesser extent up to this day in Argentina. The cost of living index in 1972 is 360 times what it was in 1943! The peso, once one of the world's strongest currencies, is now the one which is depreciating most rapidly. The cost of living probably will double this year. Levels of saving have fallen noticeably, and as a result the rate of capital formation is ridiculously low. Real income and salaries are always below the cost of the "family basket." The distribution of wealth does not depend on one's efficiency in meeting the consumer's needs but, to a large extent, on the favors of bureaucrats and their irrational monetary policy. The flight of national and foreign capital is terrible. Malinvestment and waste are accentuated in line with the directives of the planners of the day. The United States dol-

lar which exchanged for 3.50 National pesos in 1943 was selling in September 1972 at 1,400 pesos on the black market. This, in spite of the depreciation suffered by the dollar owing to the tendency of the United States government to imitate Argentina's folly—the bastion of the free world also bowing to socialist policies.

Today, perhaps the strongest currency is the Swiss franc, although currencies such as the Japanese yen have promising prospects. It is interesting that a recent lead article in a widely circulated Japanese periodical recommends a return to the gold standard at a rate of 0.78 grams per yen. This is precisely what Argentina ought to do in currency matters. The foreign exchange remaining in the hands of the Central Bank should be used to buy gold in the London free market and add it to Argentina's existing stocks, dividing the total by the notes in circulation and fixing the corresponding relationship to gold, restoring convertibility. The only way to put a brake on inflation, although it may appear to be a truism, is for governments to stop inflating. For that purpose, a monetary standard is required to make people independent of the state manipulation we have here described. 

6

Six ideas to make us human

(Part Two)

PART ONE of this essay presents a diagnosis of the present malaise in terms of a loss of contact with six vital ideas. The ideas which keep us human may be summarized as follows:

- 1. *Free Will.* Man's gift of free will makes him a responsible being.

- 2. *Rationality.* Man is a reasoning being who, by taking thought, gains valid truths about himself and the universe.

- 3. *Self-responsibility.* Each person is the custodian of his own energy and talents, charged with the lifetime task of bringing himself to completion.

- 4. *Beauty.* Man confronts beauty in the very nature of things, and reproduces this vision in art.

- 5. *Goodness.* Man has a moral sense, enabling and requiring him to choose between good and evil.

- 6. *The Sacred.* Man participates in an order which transcends nature and society.

It is no secret that a great many philosophers and scientists deny free will and affirm determinism; it is also a fact that no one can really bring himself around to believing that he is an automaton. A philosopher who announces himself as a determinist presumes to offer us a conclusion he has arrived at after observation, after marshalling the relevant evidence, after reflection, and as the end result of a chain of reasoning. Each of these steps reflects the action of a free being, and these free actions can never be pieced together so as to contrive an unfree result. Man's will is free; it is so free that it can deny this freedom!

Take the case of Baruch Spinoza. If any man ever lived free it was Spinoza; he was the "inner

directed" man par excellence. But Spinoza's own experience clashed with the new world view of Mechanism — the notion that the universe is constructed along the lines of an intricate piece of clockwork. Ideology overcame experience and Spinoza denied that his will was free. I quote from Proposition XLVIII of his *Ethics*:

There is in no mind absolute or free will, but the mind is determined for willing this or that by a cause which is determined in its turn by another cause, and this one again by another, and so on to infinity.

The mind is a fixed and determined mode of thinking, and therefore cannot be the free cause of its actions, or it cannot have the absolute faculty of willing and unwilling; but for willing this or that it must be determined by a cause which is determined by another, and this again by another, etc. Q.E.D.¹

Free Will

If the individual does not have free will, then he is not at liberty to reject determinism! But where will a man find a position from which he might judge whether his will is indeed free, or not. The answer is: Only as he looks within himself, at the workings of his inner life; by introspection, in other

words. Now introspection is rather frowned upon today as a means of getting at the truth, as not being in accord with scientific technique. Early science viewed nature from the standpoint of the external observer, as a theater goer views a play. The man occupying the seat in the first row of the balcony is observing the drama unfold upon the stage; he is detached from the action, is not involved in the play, his standpoint is objective. The world view that grew out of science is assumed to be the way the universe looks to an outsider who is not part of the action, merely looking in upon it.

Once this approach is adopted, what follows? Let me answer by quoting from Jacques Barzun's great book, *Science: The Glorious Entertainment*: "Pure science was engaged in sketching, bit by bit, the plan of a machine — a gigantic machine identical with the universe. According to the vision thus unfolded, every existing thing was matter, and every piece of matter was a working part of the cosmic technology."² Thus emerged the ideology bearing the label Mechanistic Materialism, and human beings schooled in this ideology come to think of themselves as mere cogs in the world machine. And

¹ Spinoza, pp. 74-5 of the Everyman's Library edition of *Ethics*, (New York: E. P. Dutton & Co., 1925).

² (New York: Harper & Row, 1964) p. 21.

just as every gear and cog in the machine is moved by another, so is every human action the mere effect of a previous cause, and so on. Observe a man's actions from the outside and you see only his body and limbs in motion; nothing that you can see from the outside gives you any assured knowledge of what is going on inside him. You cannot observe his will from the outside, nor his mind. You might guess what's going on, but that's the best you can do.

A Hidden Inner Life

There is one region of the universe which will always be beyond the ken of the external observer, and that is the region of the inner life. Each man's inner life is concealed from all the world; he alone has access to it. Millions of people can view the same eclipse of the sun, but only one person can know your inner life, and that is you. Truth about the will in action can be known by introspection only; it will never be disclosed to those who adopt the standpoint of the external observer and refuse to shift their perspective. If there is indeed freedom of the will, this is a truth which, in the nature of the case can be known only as each person knows it first hand in himself. Let a man look within himself and he knows with solid assurance that he is capable of

exercising freedom of choice in situations where real alternatives are open to him. Which of us has not wrestled with dilemmas of the type: "I want to do this; but I ought to do that"? We know, in this context, that the will is free.

There's an old story about Galileo, who assured one of his contemporaries that the ring around Jupiter was composed of satellites; "I've seen them through my telescope; take a look and see for yourself." The friend had figured out that the ring was solid and refused to put his eye to the glass, the only posture from which he could test his theory. The free will, if it operates at all, operates only within, and those who are so wedded to the standpoint of the external observer that they refuse to look within, effectively bar themselves from ever obtaining any knowledge of the matter.

The consequence of this state of affairs is unfortunate. It is "unscientific," the average man is led to assume, to believe he has free will, and that decisive action on his part can make a real difference in life. He is taught that he is determined by heredity, or environment, or race, or childhood traumas, or poverty, or by some other factor that limits his capacity for free choice; and his ability to choose is impaired because he thinks he doesn't have it! The ini-

tative is given over to environment and man only reacts; he doesn't act. Adjustments to the environment, comfort, and ease then come to be the goals of life. If we accept the dictum of a great economist that "the end, goal or aim of any action is always the relief of a felt uneasiness," then we have given up on life, for we'll never rest easy until we're dead! To live is to strive for greater intensity of life, and this means that we may choose adventure, heroism, suffering, and maybe even death.

The issue of free will constitutes a battleline of first importance. A people among whom the flame of life has burned so low that their philosophers preach determinism will be severely handicapped in the game of life. They will find it difficult to put their trust in reason and, as we might expect, reason itself is now under attack from several quarters.

Rationality

The second of the big ideas which make man man is this: Man is a reasoning being who, by taking thought, gains valid truths about himself and the universe. The attack on the rational mind comes from several quarters. Philosophical materialism and mechanism assumes that the ultimate reality is nonmental; only bits of

matter or electrical charges or whatever are, in the final analysis, real. If so, then thought is but a reflex of neutral events. "Our mental conditions," wrote T. H. Huxley, "are simply the symbols in consciousness of the changes which take place automatically in the organism."

Evolutionism, popularly understood, is materialistic and mechanical. So viewed it conveys the idea that living things began as a stirring in the primeval ooze and became what they are now by random interaction with the physiochemical environment, moved by no purpose, aiming at no goal. Darwinism offers an account of organic change which has no need of intelligence to guide it.

From popular psychology comes the notion that reason is but rationalization, that conscious mental processes are but a gloss for primitive and irrational impulses erupting from the unconscious mind. Psychoanalysis discredits mind by subordinating intellect to the id.

From Marxianism comes the notion that class interest dictates a man's thinking. There is one logic for the proletariat and another for the bourgeoisie; and the mode of production governs the philosophical systems men erect, and their life goals as well. The unfortunately placed middle class forever

gropes in darkness, unable to share the light revealed to Marx and his votaries.

Convictions about the reality of reason and free will develop in the context of our vision of the ultimate nature of things. And here I bring up again the ideology of Mechanistic Materialism. There are several kinds of Materialism, the most prominent today being Dialectic Materialism, the official religion of Marxianism. However, the several brands of Materialism differ only in nonessentials; they agree that all forms of consciousness arise, develop, and disappear with changes in the material world. Every variety of Materialism downgrades mind; it makes mind an offshoot of matter, a derivative of material particles, an epiphenomenon.

"Man is but the outcome of accidental collocations of atoms"

Let Bertrand Russell tell us in his own words: "Man is the product of causes which had no prevision of the end they were achieving; his origin, his growth, his hopes and fears, his loves and his beliefs, are but the outcome of accidental collocations of atoms. . . . Brief and powerless is Man's life; on him and all his race the slow, sure doom falls pitiless and dark. Blind to good and evil, reckless of destruction, omnipotent

matter rolls on its relentless way."³

Of course, if matter is the ultimate reality, mind is discredited. But if this discredited instrument is all we have to rely on, how can we put any confidence in its findings? If untrustworthy reason tells us that we cannot trust reason, then we have no logical ground for accepting the conclusion that reason is untrustworthy! Well, I don't trust the reasoning of people who champion the irrational, and I do know that our reasoning powers may be — like anything else — misused. But when human thought is guided by the rules of logic, undertaken in good faith, and tested by experience and tradition, it is an instrument capable of expanding the domain of truth. Reason is not infallible, but it is infinitely more to be trusted than nonreason!

Self-Responsibility

The third great truth is that each man is the custodian of his own energy and talents, charged with bringing himself to completion and having a lifetime to do the job. Gifted with reason and free will, the human being must take himself in hand in order to complete his development; most

³ From the essay "Free Man's Worship." Reprinted in *Selected Papers of Bertrand Russell* (New York: Modern Library, 1927) pp. 3, 14.

animals, on the other hand, simply mature, brought to full term by innate drives. Human beings are not thus programmed, and occasionally we have to act against inclination and instinct and inertia if we would achieve our goals. This is simply illustrated in sports, where the successful performer forces himself to train even on those days when he'd rather be doing something else. The bike club I ride with held a century run over a six mile course. A couple of youngsters turned up in full regalia and rode off, one pacing the other, looking very professional. Quite a few miles later I noticed that one of the young men had dropped out, so I asked the other what happened.

"I train every day whether I want to or not," he replied, "he just goes out when he feels like it."

There you have it on a small scale, but the same principle applies to life. "That wonderful structure, Man," wrote Edmund Burke, "whose prerogative it is to be in a great degree a creature of his own working, and who, when made as he ought to be made, is destined to hold no trivial place in the creation."

The persistent downgrading of life, during recent centuries has reduced man to a cosmic accident inhabiting a fourth rate planet,

lost in the immensities of space and time, in a materialistic universe devoid of values. This dubious vision has not been vouchsafed to the birds and the beasts, but only to human beings. Only man among all the creatures of the planet has been able to take all time and all space within his purview and draw conclusions of any sort. And it is a perverse kind of silliness for a creature gifted with the ability to understand and explain to bemoan his littleness in the face of the unimaginable vastness of the cosmos. Whose mind is it that comprehends all this? What creature controls an enlarging domain? Man confronting the universe as astronomer, physicist, geologist, engineer, is entitled to stand tall; would that he might do as well in other departments!

Beauty

In the area of aesthetics, for example, to illustrate the fourth vital idea. Here man confronts beauty in the very nature of things, and reproduces his vision in art. In a materialistic age it comes to be believed that particles of matter in motion are the only realities, which means that beauty is unreal. "Beauty," we are told in the familiar phrase, "is in the eye of the beholder." How did it get there? we want to know, unless loveliness — as every great artist

has taught us—is real, and out there waiting to be experienced.

What shall a painter resort to when the ideology of the age convinces him and his potential public that matter is the ultimate reality and beauty a mere illusion? Let Picasso answer:

When I was young I was possessed by the religion of great art. But, as the years passed, I realized that art as one conceived it up to the end of the 1880's was, from then on, dying, condemned, and finished and that the pretended artistic activity of today, despite all its superabundance, was nothing but a manifestation of its agony.

As for me, from cubism on I have satisfied these gentlemen (rich people who are looking for something extravagant) and the critics also with all the many bizarre notions which have come into my head and the less they understood the more they admired them. . . . Today, as you know, I am famous and rich. But when I am alone with my soul, I haven't the courage to consider myself as an artist.⁴

One more quotation, this time from Joseph Wood Krutch, generalizing about modern artists:

They no longer represent anything in the external world, because they no longer believe that the world which

exists outside of man in any way shares or supports human aspirations and values or has any meaning for him.⁵

Art once celebrated the greatness of the human spirit and man's aspiration for the divine; great art reconciled man to his fate. "We are saved by beauty," wrote Dostoevsky. Art now is the reaching out for bizarre forms of self-expression by more or less interesting personalities; or it becomes outright buffoonery and charlatanism.

Goodness

The fifth big idea has to do with ethics; it is the conviction that moral values are really embedded in the nature of things, and that men have the capacity and are under the necessity of choosing the good and eschewing evil. Given a revival of belief in reason and free will I am confident that ethical questions will be brought within the human capacity to resolve. But if we succumb to the attacks on reason and free will, and if we accept the ideology of Materialism we will seek in vain for some substitute for ethics. We reduce morality to legality; we confuse what is right with what works; or what advantages us, or what pleases us. These things, including utilitari-

⁴ Quoted by Joseph Wood Krutch in *And Even If You Do* (New York: Wm. Morrow & Co., 1967) p. 186.

⁵ *Ibid.*, p. 185.

anism and relativism, boil down to ethical nihilism, for if nothing is really right, then nothing is really wrong either.

The Sacred

The sixth big idea pertains to the human experience of the sacred — a dimension which transcends the workaday world. This encounter evokes awe, reverence, a sense of the sublime; and it produces — in the intellectual sphere — the philosophy known as Theism. Theism is the belief that the universe is not merely brute fact, but that a mental/spiritual principle is at the heart of things; the finite mind in each of us is somehow grounded in an infinite Mind. In one perspective, Theism encompasses all the other ideas; and in another perspective, if our thinking is right on the previous five ideas, Theism is an immediate inference.

We resist the word “God” because for most people the notions of their childhood still cling to it, and these notions they have outgrown while they have not permitted their ideas of God to grow with them. But if one rejects the idea of God, he has no logical stopping place short of the idea of Materialism; and if he goes this far, he has embraced an ideology which shortchanges his own mental processes. Mind, reason, logic,

and God are all bound up together. Santayana was once referred to as an atheist, and he replied, “My atheism, like that of Spinoza, is true piety towards the universe, and rejects only gods fashioned by men in their own image, to be servants of human interests.” Genuine Theism demands that we be “a-theistic” toward the false gods.

Theism contends, as a minimum, that a Conscious Intelligence sustains all things, working out its purposes through man, nature, and society. This is to say that the universe is rationally structured, and this is why correct reasoning pans a few precious nuggets of truth.

Acceptance of the Creator reminds men of their own finitude; no man can believe in his own omnipotence who has any sense of God’s power. And finite men, aware of their limited vision, have a strong inducement to enrich their own outlook by cross fertilization from other points of view.

When theistic belief is absent or lacking in a society, men are beguiled by the prospect of establishing a heaven on earth. They vainly dream that some combination of political and scientific expertise will usher in utopia, and they use this future possibility as an excuse for present tyranny. Under Theism, they modestly seek

to improve themselves and their grasp of truth — thus making the human situation more tolerable, more just, more enjoyable — confident that the final issue is in God's hands.

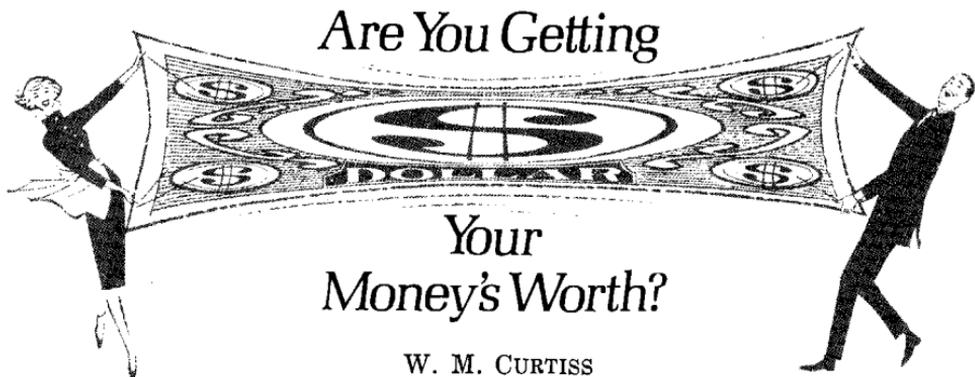
But won't men perversely use Theism as in excuse for intolerance and even persecution, as indeed has happened in history? Of course they will, for there is no good thing that cannot be misused. But reflect on the deadliness of the alternative as exhibited by regimes which make atheism official. Communism, during its first fifty years in several countries, has taken a toll of at least eighty-four million lives!

What is Man? the creature from Mars might ask. And our answer would be that man is a being with an anthropoid body and six ideas. What if he loses contact with one or more of these ideas? our questioner continues. In that case, we answer, his humanity is thereby that much diminished.

Diminished man has come to the fore at an accelerating rate during the past century. In statecraft, he was unable to resolve minor differences between Western nations and thereby prevent them from tearing each other to pieces in the cycle of wars which began in 1914. In religion, we have a split between the "death of god" trend, on the one hand; and, on the other,

an emphasis on push-button salvationism. In education, there is agreement on one point only, that there is a crisis in the schools; but there's no consensus as to cause and cure. Philosophers have abandoned the great tradition in philosophy to embrace one fad after another; positivism, linguistic analysis, existentialism. Then there is the "treason of the intellectuals," many of whom have found communism and socialism irresistible; who resolved that there should be no more war in the Thirties but decided a few years later that war was a wonderful thing. And in personal life, at a time when the male is giving his worst performance, unable to reconcile women to their roles in life, the female wants liberation so she can imitate the male!

It goes without saying that as I list a portion of the indictment against modern man, I have in mind statesmen, artists, philosophers, theologians, intellectuals, as well as ordinary men and women, who have kept the faith, who have not lost their heads. I am not certain that the madness from which we suffer has run its course, and that we've turned the corner, but I am enough of an optimist to have confidence that the corner is within sight, and that there is sufficient health in us to make it. 



Are You Getting

Your
Money's Worth?

W. M. CURTISS

IN TERMS of personal income and its purchasing power, one must conclude that Americans never had it so good! With the great strides in technology and the tremendous investment in the tools of production, workers are fantastically productive. And, in a general way, one's income is based on what one produces, as valued in the market place.

In a free economy, one may exchange his money or property for things or services he values more than the money or property he gives up. Thus, both the buyer and seller benefit from the exchange and each is better off, in his judgment, than before.

But what are you getting for

your money today? How much of your spending is for things you'd rather do without if the choice were entirely yours!

One might argue that we always spend our money in the way we choose, given the alternatives. We pay a dentist to relieve a toothache, not because a trip to the beach wouldn't be more fun but because it is less painful to visit the dentist. If we lived in a dry climate we might avoid the purchase of an umbrella. If we lived near our work we might avoid buying a second car. If we lived in Maine, we might not buy an air conditioner. And so on through many choices like these, where no one else is forcibly influencing our decision.

Even under coercion, we still

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choose among alternatives. We may give our wallet to an armed robber, under the circumstances. Most of us grudgingly pay our taxes, rather than face the consequences of refusing to pay. But these choices, the alternatives we choose under duress, differ from our purely voluntary spending. And in order to know whether we've "ever had it so good," we ought to consider those expenditures which are forced upon us, for things we'd rather do without.

Crime Costs

An example is the cost of crime. Government is essential for the protection of life and property, and most people will willingly pay to be protected from the few persons who have no respect for the life and property of others. But the mounting incidence of crime in our affluent society calls for further consideration of the costs and possible causes.

How do you feel about the cost of installing a burglar alarm system in your home? Or having near tamper-proof locks put on your outside doors? Or the extra cost of a buzzer to make certain you remove your auto keys? Or the extra cost of taking a taxi because you're afraid to ride a subway?

These are just a few of the many examples of the rising costs of

crime over recent decades. More direct costs, of course, include losses of life and property by persons who are objects of the burglary or perhaps just innocent bystanders. Mounting also are the costs of prevention, detection, and punishment, including the hiring of extra police, additional court costs and the like. Attempts have been made to estimate such costs but who can say, and with what accuracy? What is certain is that the money one is forced to spend either to prevent crime or to repair the damages is money that cannot be spent voluntarily for other things.

No doubt, the people of the United States are among the most productive and affluent in the world. We have a very high level of living in automobiles, color television sets, the quality of food we eat, education, medical services, housing, leisure, travel, and a host of other things.

But our level of living also includes a few items we might change if we could. The costs and consequences of crime are among these items. We can take little comfort in knowing that our crime costs per capita may be the highest in the world! Much of the cost is buried in the total expenditures by governmental units — federal, state and local — the total support of which takes some 40 per cent of

our very high productivity. So, we may say that our affluence supports the most costly government in the world. But, if we had our "druthers," is this the "level of living" we would buy?

Why Crime Increases

Much of the crime, especially in our larger cities, is tied to the increasing use of illegal drugs. The daily cost of supporting a drug habit far exceeds what many a user is able to earn legally. Many addicts thus turn to robbery, prostitution, "pushing" drugs on others, and various sorts of organized criminal activity.

Why does this happen? If a product or service is forbidden by law, and if some people want the product or service badly enough, someone will undertake to provide the illegal item, usually at a price to cover the risk of getting caught breaking the law. A classic example comes from the "prohibition era" following World War I, with the resultant high cost of bootlegging, gang wars, and attempted law enforcement activities.

Prohibition eventually was acclaimed a failure and was repealed. Whether the morality of the people was improved or diminished by the experiment is not the subject of this inquiry. Nor is the question of whether the govern-

ment should attempt to legislate morality. We are merely pointing out the tremendous costs involved, costs forced upon individuals who might rather have spent their money in some other way.

Not repealed, however, is the governmental attitude toward alcoholic beverages. Instead of direct prohibition, there is now a "prohibitive" tax on liquor. Likewise, "cigarettes may be hazardous to your health," and are heavily taxed. These taxes and the high costs of enforcement are a part of today's high cost of living.

These three examples — drugs, cigarettes, and liquor — illustrate problems which arise largely out of government intervention, and then have to be controlled, to some extent, at very high costs to taxpayers. In any event, when the total cost of government becomes as burdensome as it is in this country, the incentive to cheat is strengthened, as anyone could testify who either files or fails to file an income tax return. There is a strong temptation to get "a piece of the action" by government workers who handle "public money," award contracts, purchase items for government use, and the like. And even the rare few who occasionally expose such cheating must be sorely tempted not to do it. Who wants to be a model of integrity in a den of thieves!

Welfare Costs

Government welfare activities are another source of corruption. Such programs have grown by leaps and bounds in the past quarter century at a time when the nation was never more affluent. The reasons are many and often complicated. Many social workers and other government employees seem to measure their success by the number of cases handled and the amount of money distributed. Social Security offices, for example, post notices in local papers saying in effect: "Are you getting all the Social Security you are entitled to? Come in and let us help you!" Workmen's Compensation clients are officially advised not to deal with employers but to come directly to the Board.

Aside from the outright cheating, one of the causes of the rising cost of welfare, a cause which the welfare client cannot change, is minimum wage legislation. Wages, set higher by law than they would be in a free market, increase unemployment. The unemployables are especially the young, the old, and members of minority groups. Whether for lack of skill, or of education, or whatever the reasons, unemployment rises sharply in such categories whenever minimum wages are raised by law. Increasing unemployment means increasing welfare costs.

Respect for Property

Part of the problem is the breakdown of respect for property. And especially is this true of the growing volume of "unowned" or "public" property. Consider, for instance, the breaking of windows and other destruction of school property. The problem is serious enough that some schools have gone to the considerable expense of installing "unbreakable" glass. Some new school buildings are being built without windows.

College buildings and grounds are prime targets for vandalism; public parks and playgrounds also are used and treated with disrespect. It seems that what belongs to everyone belongs to no one. The cost to those who must pay for such vandalism and destruction lowers their level of living, deprives them of alternative ways they would spend their money.

Governmental efforts at "consumer protection" go far beyond curing us of the "bad habits" of drugs, alcohol, and tobacco. The government also tries to do to us what is "good" for us. An illustration is the requirement that various grocery and other items be priced by weight so that shoppers can more easily compare products of different distributors, different size packages, and the like. However, after sellers have gone to the expense of doing this (which con-

sumers pay), few shoppers pay any attention to it.

Similarly, when consumers borrow money, or buy on installments, shouldn't they know their interest costs expressed as a simple rate per year? How else can they compare different sources of credit? So, the revealing of these figures is required by law and adds to the cost for the consumer who is to be protected. Again, there is evidence that few consumers use this new service they have paid for.

One of the most absurd of all consumer protection items is the compulsory addition of seat belts to autos. Why should I have to be compelled to pay for seat belts to protect *me* in an auto accident? If I think seat belts are useful, I will have them installed and will use them! Who is likely to be more interested than I am in protecting me from injury? Upon discovery that only one-third of the drivers were using the seat belts they had been forced to pay for, all drivers were then subjected to the costs of installing buckle-up buzzers and lights and other educational devices.

Other consumer protection items such as air bags, more effective bumpers, and other gadgets will be compulsory additions before long and the cost of automobiles to the consumer is bound to reflect the

additional expense. It is estimated that by 1975 the cost of these additions, which the consumer did not order, will be more than the total cost of a new car when Americans were less affluent than today. This might be a part of your "level of living" you would do without if you had a choice.

Most "consumer protection" plans show a complete lack of faith in two very important aspects of the market. One is the wisdom of the consumer in looking after his own interest and the other is the power of competition between suppliers in an unfettered market to serve the consumer as he wishes.

Gambling

The attitude of governments toward gambling is a curious thing. At times, it has appeared that governments have considered gambling to be immoral and have tried to ban it completely. More recently, governments have permitted gambling in some places, but not in others. You may be permitted to bet on a horse race at the race track but not elsewhere. You may indulge in games of chance if they are conducted by churches licensed by the state. So, perhaps gambling is not really a moral problem at all!

In recent years, in their quest for new sources of revenue, more

and more states are permitting and encouraging gambling so long as the state gets a substantial cut of the proceeds. In New York State, you need not go to the track to bet on the horses if off-track betting is more convenient. State lotteries also are gaining in popularity and respectability, with a large "take" going to the state.

Still, the state is partly in and partly out of the gambling business. Many types of gambling such as the "numbers" game, betting on human athletes or teams, and other games of chance are still illegal. It would be difficult if not impossible to estimate the amount of money which governments spend unsuccessfully to enforce gambling or anti-gambling laws — another example of spending your money in a way you might not spend it yourself, given a choice.

The Problem

Most of the economic problems that are left to the market are solved without great fanfare. We either buy, or refrain from buying, and thus send a meaningful signal to the producer. It doesn't require a committee or a government commission, or a popularity vote to make the decision. If enough people object to tail fins on their autos, the manufacturer will soon get the message. And if the decision of the market goes

against the lover of tail fins, he rarely makes much of a fuss. But let the decision be made by a government bureau, or even a Harvard professor, and a feeling of disenfranchisement is certain to arise.

Practically all of the major economic problems that seem so troublesome are the result of some activity of government when it has gone beyond its principled role of protecting life and property. One of our most serious, with ramifications in many areas of life, is inflation. Inflation is simply the result of the Federal government spending beyond its means and expanding the supply of money to support its profligacy.

School problems, involving such questions as how to finance them, who should run them, who should attend them, and what should be offered in them, are largely problems which arise because government has assumed much of this responsibility. Little choice is offered those concerned.

The problem of housing, especially in urban centers, is largely a result of the intrusion of government into urban renewal, rent controls, construction codes, and other restrictions.

Consumer protection would cause no difficulties if it were a voluntary thing between buyer and seller. Auto manufacturers would gladly supply seat belts to those

who want them and are willing to pay for them — just as radios are made available. The problem arises when motorists who neither want nor use them are compelled by law to pay for them.

Just now, control of pollution of air and water is being promoted by a few vocal individuals, organizations, and an imaginative press. In haste to respond to such pressures, governments are certain to further add to their already over-extended activities.

Are you getting your money's worth? The question finally boils

down to whether you are primarily interested in freedom of choice for the individual — your choice with your own money — or “full security and protection” by government in every last detail.

True, some consumers will make a lot of mistakes, as judged by you and me, in their choices as to how to spend their money. But far more serious than the combined errors of individuals is the master error — a belief that such mistakes could be avoided if only the government were in total control of our lives. 

Freedom

FREEDOM CAN WELL BE LOST to us through misinterpretation of it. When we think it gives us the right to another man's harvest, or entitles us to an honor we are unwilling to earn, we place ourselves in a bondage that curtails our true growth in every way.

Through the privilege of choice our way is opened for us to become what we will. The wise use of this faculty brings out the best that is in us, and thereby places us in positions and circumstances that are compatible with our abilities and much to our liking . . . Freedom does not mean that each shall have the same thing, or even express in the same way; for it is every man's right to discover the path to his highest good. But how we use this priceless heritage of choice decides what we become. True freedom is experienced as we earn it through thought and deed.

IDEAS ON



LIBERTY

LA VERNE BOWLES
From the “Daily Guide to Richer Living” for
September 15, 1960, appearing in *Science of Mind*.

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

17

Principles
of the Constitution

THE QUESTIONS at issue in the constitutional convention were rarely, if ever, philosophical in nature. The men gathered at Philadelphia in 1787 were practical men, by and large, going about the practical business of proposing how power would be disposed, arrayed, and distributed in the United States. Nor is the Constitution a treatise on philosophy; except for the preamble, the document deals exclusively with the practical and the mundane. Nonetheless, the debates were informed by principles, as remarks and occasional flights of oratory indicate, and the Constitution is based on high principles, which we may know both from analysis and an examination of the apologies for it.

These principles follow, if not inevitably then naturally enough, from the Founders' understanding of human nature. The same human nature which made government necessary, they thought, made certain principles appropriate to it and essential if it was to endure for any extended time. Government is made necessary because man is not perfect. James Madison put the matter succinctly:

If men were angels, no government

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would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.¹

Obviously, Madison thought men are not angels; on the contrary, man is a flawed being, needing restraints whether he belongs among the governed or the governors at any particular time.

Human Nature Is Suspect

There is no indication that any of the other Founders thought otherwise. Alexander Hamilton declared that "men are ambitious, vindictive, and rapacious."² Nor could he see that human nature was more dependable because the beings involved lived in republics rather than under monarchs:

Has it not . . . invariably been found that momentary passions, and immediate interests, have a more active and imperious control over human conduct than general or remote considerations of policy, utility, or justice? Have republics in practice been less addicted to war than monarchies? Are not the former administered by *men* as well as the latter? Are there not aversions, predilections, rivalships, and desires of unjust acquisitions that affect nations as well as kings? Are not popular assemblies frequently subject to the impulses of rage, resentment, jealousy, avarice, and of other irregular and violent propensities?³

Hamilton's low estimate of human nature is well known, but the gentle spoken Benjamin Franklin did not rate it much higher. He declared that when you "assemble a number of men to have the advantage of their joint wisdom, you inevitably assemble with those men, all their prejudices, their passions, their errors of opinion, their local interests, and their selfish views." He predicted that the government they were providing for in the convention "can only end in Despotism, as other forms have done before it, when the people shall become so corrupted as to need despotic Government, being incapable of any other."⁴ A fair interpretation of this latter statement would be that man has an ingrained downward bent. The political implications were spelled out by Madison in this way: "In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself."⁵

Capable of Reason

It does not do justice to the Founders' conception of human nature simply to emphasize the flawed side. Man is a rational animal, they thought, i. e., capable of

reason. He loves liberty, and needs it for the fulfillment of his possibilities. He is self-interested — a trait that can be turned to good use — but he is also capable of conceiving a general interest which embraces others as well as himself. He is an active, responsible being, capable of invention, construction, concern, and what goes by the name now of creativity. Put power in his hands over others, however, and he must be carefully watched. This was the cornerstone of their political faith.

With these views of human nature, the Founders combined an unusual mixture of hope and resignation about the government they were contemplating, hope that they could contrive a system that would be lasting but resigned to the likelihood that it would founder sooner or later on the shoals of the lust for power of those who governed and the bent to corruption of the governed. Many of the debates of the convention hovered around the question of whether too much or too little power was being conferred and whether those who would exercise it would have sufficient leeway to act energetically or be sufficiently restrained to prevent arbitrary and despotic action. The debates reflected these concerns; the Constitution embodied their conclusions. The convention was the forge; the Consti-

tution was the finished and tempered metal. The following are its most salient principles:

1. Federal System of Government

The federal system of government, as we know it, was invented at Philadelphia in 1787. Dictionaries, encyclopedias, and textbooks now define a "federal government" as one in which there is a division of powers between a general government, on the one hand, and local (or state) governments, on the other, both governments having jurisdictions over the citizenry within their bounds. A confederation is now held to differ from this arrangement in that under it the individual states retain the sole authority to use force on individuals. No such distinction appears to have existed in 1787. The only perceivable distinction was a grammatical one. "Confederation" was the noun form used to describe the organization of the states into a unit. "Federal" was the adjective form of the word "confederation." For example, Richard Henry Lee, who was opposing ratification of the Constitution, said that the "object has been all along to reform our federal system. . . ." ⁶ He could only have been referring to the system under the Articles of Confederation as "federal." In adjoining sentences, Hamilton employed the

words as if interchangeable in meaning.⁷ Initially in the convention, those who favored a general government with sanctions referred to it as "national." They did not, however, get the system they had conceived, and in the course of the debates "national" had odium attached to it. Those who favored adoption of the Constitution referred to themselves as "federalists," and to the government as a "federal" one,⁸ in part, one suspects, to minimize the extent of the innovation. Clearly, what they had wrought was not a confederation, and it came to be called a "federal" government.

It made sense, once the American system had been devised, to use the words "federal" and "confederation" to call attention to structural differences in systems, but this development in language has tended to obscure the invention that took place. Occasionally, however, it has been pointed out. A present-day writer notes that the "United States is regarded by many students as the archetype of a federal system. . . . Even general definitions of the term seem to derive from the American model."⁹ James Madison wrote one passage, too, in which he called attention to the new character of what they had devised:

The proposed Constitution . . . is, in

strictness, neither a national nor a federal Constitution, but a composition of both. In its foundation it is federal, not national; in the sources from which the ordinary powers of the government are drawn, it is partly federal and partly national; in the operation of these powers, it is national not federal; in the extent of them, again, it is federal, not national; and, finally in the authoritative mode of introducing amendments, it is neither wholly federal nor wholly national.¹⁰

It is a brilliant description of the complex arrangements in the Constitution, but, unfortunately, Madison is speaking in an unknown tongue so far as present-day Americans are concerned. Not only did the distinction between "federal" and "confederation" take place, but in contemporary usage "federal" is employed almost exclusively to refer to the general government and has, thus, become a synonym of "national." Whereas, Madison used "federal" to refer to those things in the Constitution in which the states retained their force and vigor.

At any rate, the main feature of the federal system of government is that the power of government was divided between the general government and the state governments. Such a division has the appearance of being a division of sovereignty, something which political theorists have said could not

be done. The Founders disposed of the theoretical problem by ignoring it in that they did not vest any such absolute authority as is described by sovereignty in any government. A political scientist has put the matter correctly in this discussion of the American government: "Sovereignty, in the classic sense, has no meaning; divided as power is, the element of absoluteness which is essential to the concept of sovereignty is not present."¹¹ The Constitution acknowledges the existence of the states and vests some of the powers of government in the United States. Power is dispersed rather than concentrated, and each of the co-ordinate (not levels of) governments has its own jurisdiction.

The Role of the States

Both the general and the state governments are independent of each other to a degree but are also dependent on one another. These relationships are provided for by intricate arrangements. All elections take place within states and under their auspices. The Constitution was only to go into effect after the ratification by conventions held state by state. The selection of the personnel for the branches of the general government involved the states to greater or lesser degree depending upon

the office involved. The House of Representatives was to be composed of members chosen from districts within states, and the number allotted to each state was to be based on population. Each state, on the other hand, has two Senators, providing for an equality of the representation of states in the upper house. This was worked out in what is sometimes called the Great Compromise of the convention, or the Connecticut Compromise. The President is selected by an electoral college, each state having as many electors as it has Representatives and Senators. The members of the courts were to be appointed by the President with the advice and consent of the Senate. The Senate was also given major powers in the approval of other appointments and in treaty making. The states retained a large role both because of the pre-eminence of the Senate and that everything having to do with popular election is done by and within states.

The general government was clearly given control over the massive use of force and the states were left with the preponderant authority to use force ordinarily. The general government is authorized to raise and maintain armed forces and may call into action under its authority any state military force. Laws made in pursu-

ance of the Constitution are declared to be the supreme law of the land. The states retained most police powers, courts dealing with most civil and criminal matters, and much that has to do with the protection of life, liberty, and property. The general government is charged with protecting the states from foreign invasion and from one another. The line between the powers of the states and those of the general government was not marked by great detail; it was, no doubt, expected that they would contend with one another over various jurisdictions and thus limit one another. Such contentions were expected to counter-balance the extensive use of power by any government.

To say that federalism was an American invention is not to imply that it sprang from the head of Zeus fully clothed at Philadelphia in that summer. Actually, the Founders were encompassing a tradition when they devised the federal system. There were elements of federalism in the British colonial system. Each colony had its own government to deal with local matters. The British government exercised the type of powers over the colonies that were now to be vested in the general government. Moreover, the Congress under the Articles of Confederation had much of the authority which

was now vested in the general government, even if it lacked the power for the full exercise of it. Most of the innovation was in the wresting of a pattern from an imperial system and installing it in a republican setting.

2. Republican Form of Government

There are two basic requirements which must be met if a government is to be styled a republic: (1) it must be popular in origin, i.e., draw its authority from an extensive electorate; and (2) power must be exercised by representatives. It is distinguished from an hereditary monarchy in that it is based on popular election and from democracy in that power is wielded by representatives. Those who favored the new Constitution took pains to show that the government it provided for was republican in character.

James Madison showed that its powers were derived from the people by this explanation:

The House of Representatives, like that of one branch at least of all the State legislatures, is elected immediately by the great body of the people. The Senate, like the Present Congress and the Senate of Maryland, derives its appointment indirectly from the people. [The Senate was chosen by state legislatures until the ratification of the 17th Amendment.] The President is indirectly derived from the choice of the people, accord-

ing to the example in most of the States. Even the judges, with all other officers of the Union, will, as in the several States, be the choice, though a remote choice, of the people themselves.¹²

As they understood the difference between a republic and a democracy, it was a republic, not a democracy. Though it was based on the people, the people acted through representatives. Popular decision went through a series of filtrations, as Madison put it, before it became government action.

The United States was not a monarchy, and safeguards were introduced to prevent its becoming one, as Madison said:

Could any further proof be required of the republican complexion of this system, the most decisive one might be found in its absolute prohibition of titles of nobility, both under the federal and State governments; and in its express guaranty of the republican to each of the latter.¹³

3. Separation and Balance of Powers

If there was one principle upon which the Founders were agreed more than any other it was that of the separation of powers. Montesquieu had taught them that it was a requisite of good government. Both they and Montesquieu

knew the separation of powers in principle from the British example. State governments already incorporated the principle, however imperfectly. Once it was decided that the power to coerce individuals would be lodged in the United States government there was little doubt that a system of checks and balances must be located in the system. If the individual could be coerced by it then the government must be restrained by checks and balances.

For this to be done, there must be several branches to limit one another. The branches, as constituted, made it a *mixed government*. This idea is not so well known anymore, for it comes from classical theory, which no longer is the basis of our studies as it was for the Founders. The idea is that there are three possible pure modes of rule: they are, monarchy, aristocracy, and democracy. In this sense, neither the United States nor the states have a pure form of government; they are, instead, mixed. In the United States government, the President is based on the monarchical principle, the Senate the aristocratic, and the House the democratic (both because it has more members and is directly elected). It was not monarchy, aristocracy, or democracy, but rather drawn from

principles of each of them as a form, i.e., from rule by one, rule by a few, and rule by the many.

The Founders had considerable difficulty devising a mixed government from a constituency which contained no fixed classes. As they saw it, it was very important that each of the branches be distinct from the other in the manner of its selection. A mixed government was desirable, in the first place, because there were differing functions of government which could best be entrusted to one, to a few, or to many. But, if the functions were best performed in this way, the division should not be watered down by having all the branches chosen by the same electorate. Perhaps it would be most accurate to say that they partially solved the problem. The members of the House were directly elected, and the number of them apportioned according to population. The Senate was to be elected by the state legislatures. This was natural enough and did base the choice on two different realities. But they never hit upon any comparable reality from which the President could be chosen. Having him elected by an electoral college was an artificial expedient which, while it did give him an independent basis of selection, did not provide him with one that was organic to the country.

Three Branches of Government

There was much talk in the convention of making each of the branches independent of the other, and much was done to achieve this principle. The branches were not only given different sources of election but also were provided protections from one another. The houses of Congress make their own rules, are judges of the elections of their members, and jointly set their pay. They have a constitutionally established regular time of meeting, and may adjourn by agreement one house with the other. The President can protect himself by the use of the veto and by his powers of patronage. Moreover, he is commander-in-chief of the armed forces as well as having at his disposal the Federal constabulary. The members of the courts are to be paid according to a regular schedule, their salaries not to be reduced during their tenure, which is for life or during good behavior.

But there is no denying that the branches are also interdependent and entwined in their operation. All legislation must pass both houses of Congress on the way to becoming law. Even appropriations, which must originate in the House, must still pass the Senate before they can go into effect. The President can veto acts of the Congress; in which case, such an

act can only become law by being passed by at least two-thirds majorities in each of the houses. The President and the Senate are particularly entwined in the appointive and treaty making powers. Amendments to the Constitution not only regularly involve both houses of the Congress but the state legislatures as well. The effect of all this interdependence is to require government by a consensus of the branches and, in the case of constitutional amendments, of the states also. The more important the decision, the broader the base for its approval must be for it to be put into effect.

4. Limited Government

The crowning principle of the Constitution is limited government, for all the other principles tend toward and are caught up in this one. The federal system of government, the republican form of government, the principle of separation all place procedural limits on the powers of the governments. The independence of the branches, one of another, and of the state and general governments provides them with a base from which to check and limit one another. Their interdependence makes the concurrence of branches and governments necessary for action to be taken.

The Constitution provided not only for procedural limits on governments but for substantive ones as well. One way in which the general government is substantively limited is by enumerating its powers. This is done most directly in setting forth the legislative powers of the government, which powers are all vested in the Congress. They are contained in Section 8 of Article I, and read, in part, as follows:

The Congress shall have Power to lay and collect Taxes. . . .

To borrow Money on the credit of the United States;

To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;

To establish a uniform Rule of Naturalization. . . .

To coin money. . . .

To establish Post Offices and post Roads;

To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water. . . .

To have placed all legislative authority in the Congress was a limitation on the other branches. To have enumerated the powers implied that those not listed were not included. Discussions within the convention bear this out. For example, the question was raised as to whether or not the general

government ought to be granted the authority to construct canals. The idea was rejected on the ground that this would involve the general government in projects which would be mainly beneficial to the people of particular states. The point, however, is that they were operating on the assumption there that if the power were not listed it was not granted.

But it is not necessary to conclude only from the enumerated powers that the general government is limited by the Constitution. There are specific limitations contained in it. The Constitution required that all direct taxes be apportioned on the basis of population. (This prohibition was later removed by the 16th Amendment.) Other taxes must be levied uniformly throughout the United States. All taxation must be for the common defense and general welfare of the United States, which should be conceived as a major limitation. Specific restrictions on the general government are listed in Section 9 of Article I, of which the following is a partial list:

The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.

No Bill of Attainder or ex post facto Law shall be passed. . . .

No Tax or Duty shall be laid on Articles exported from any State. . . .

No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law. . . .

No Title of Nobility shall be granted by the United States.

State governments were also limited in the Constitution in several ways (Section 10, Article I). The following is an example:

No State shall enter into any Treaty, Alliance, or Confederation, grant Letters of Marque and Reprisal; coin Money, emit Bills of Credit; make any thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder or ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.

Some delegates to the convention were heartily in favor of a specific prohibition being placed in the Constitution against the United States government emitting bills of credit (i.e., issuing paper money). Others said that occasions might arise, such as during the late war, when the issuance of paper money might be necessary. The upshot was a silent compromise. Congress is not authorized to emit bills of credit, but neither is it specifically prohibited to do so. (The going assumption, however, was that if it was not granted it was prohibited.)

Curbing the Majority

The other main limitation in the Constitution was the tacit limitation on the powers of the people. There was much concern expressed both in the constitutional convention and in the state ratifying conventions about limits on the people. The Founders perceived that a majority may be tyrannical; it may work its way so as to intrude on the rights of individuals, which rights were considered to be the premier ones. Alexander Hamilton said: "The voice of the people has been said to be the voice of God; and, however generally this maxim has been quoted and believed, it is not true to fact. The people are turbulent and changing; they seldom judge or determine right."¹⁴ Moses Ames, speaking in the Massachusetts convention which was considering the ratification of the Constitution, said: "It has been said that a pure democracy is the best government for a small people who assemble in person. . . . It may be of some use in this argument . . . to consider, that it would be very burdensome, subject to faction and violence; decisions would often be made by surprise, in the precipitancy of passion, by men who either understand nothing or care nothing about the subject; or by interested men, or those who vote for their own indemnity. It

would be a government not by laws, but by men."¹⁵ James Madison declared that "on a candid examination of history, we shall find that turbulence, violence, and abuse of power, by the majority trampling on the rights of the minority, have produced factions and commotions, which, in republics, have more frequently than any other cause, produced despotism."¹⁶

The people were limited by the original Constitution in that they could act only through representatives, that except for the House of Representatives the branches were indirectly chosen, and that the courts were most remote from popular control. Both the government and the people are limited by the vesting of effective negative powers on any legislation in each of the houses, of a veto in the President, and the establishment of a Supreme Court which, it was understood, would have a final negative. Positive action requires a concurrence of the branches; while several of them have the power of negation. The direct power of the people is also limited by the staggering of the terms of offices. The House of Representatives is chosen every two years. The terms of Senators are for six years, and approximately one-third of them are chosen every two years. The President's term is for

four years, and the members of the courts serve during good behavior. This provided both for stability in the government and a safeguard against the people's working their will over the government while they were under the sway of some temporary passion.

5. The Transformation of Empire.

One of the least appreciated principles of the Constitution is that contained in the provision which makes it possible to dissolve an empire periodically by adding new states to the union. The United States had an empire from the beginning; indeed, writers and speakers frequently referred to the United States as an empire. At the least, however, the United States had a vast territory west of the Appalachians and to the north and west of existing states. It was of considerable interest at the convention what provision should be made for the future of this territory. Should it be carved into provinces which, when any one of them became populous enough, would be admitted on equal terms with the older states. Gouverneur Morris, among others, argued vigorously that this should not be the case. He feared that in time the western states would outnumber the eastern states; "he wished there-

fore to put it in the power of the latter to keep a majority of votes in their own hands." He summed up his case in this way: "The busy haunts of men not the remote wilderness are the proper school of political talents. If the Western people get the power into their hands, they will ruin the Atlantic interests. The back members are always averse to the best measures."¹⁷

On this occasion, however, Morris was outpointed by the leaders of the Virginia delegation. George Mason said: "If the Western States are to be admitted into the Union, they must be treated as equals and subjected to no degrading discriminations. They will have the same pride and other passions which we have, and will either not unite with or will speedily revolt from the Union, if they are not in all respects placed on an equal footing with their brethren." Edmund Randolph declared that it was entirely "inadmissible that a larger and more populous district of America should hereafter have less representation than a smaller and less populous district." Madison joined in the colloquy by saying that "with regard to the Western States he was clear that no unfavorable distinctions were admissible, either in point of justice or policy."¹⁸

The Constitution simply states that "New States may be admitted by the Congress into this Union . . .", followed by some protections of the territory within existing states. The manner of providing for representation, however, assured that new states would be on a par with the original thirteen when they came into the union. The effect of this has been the dissolution of empire by the admission of new states. In short, the Constitution provided for the transformation of empire into states which joined the union as fullfledged members of an expanding United States.

The state delegations present and voting in the convention at its close gave unanimous approval to the Constitution. Only a very few individuals refused to sign the handiwork of the convention. The document was submitted to the Congress, from whom it was to go to the states which were asked to hold ratifying conventions. As the signing was taking place, Benjamin Franklin made the last public remarks recorded for the convention. James Madison described them this way:

Whilst the last members were signing it Doctor Franklin looking toward the President's Chair, at the back of which a . . . sun happened to be painted, observed to a few members near him, that Painters had found it diffi-

cult to distinguish in their art a rising from a setting sun. I have, said he, often and often in the course of the Session, and the vicisitudes of my hopes and fears as to its issue, looked at that behind the President without being able to tell whether it was rising or setting: But now at length I have the happiness to know that it is a rising and not a setting sun.¹⁹

All who would have signed, the convention adjourned *sine die*.



Next: The Bill of Rights.

• FOOTNOTES •

¹ James Madison, Alexander Hamilton, and John Jay, *The Federalist Papers* (New Rochelle: Arlington House, n. d.), p. 322. Hereinafter referred to as *The Federalist*.

² *Ibid.*, p. 54.

³ *Ibid.*, p. 56.

⁴ James Madison, *Notes of Debates in the Federal Convention of 1787*, Adrienne Koch, intro. (Athens, Ohio: Ohio University Press, 1966), p. 653.

⁵ *The Federalist*, p. 322.

⁶ Richard W. Leopold, *et al*, eds., *Problems in American History* (Englewood Cliffs: Prentice-Hall, 1966), p. 134.

⁷ *The Federalist*, p. 114.

⁸ See Hamilton's argument in *The Federalist* #9, for example.

⁹ Richard H. Leach, *American Federalism* (New York: Norton, 1970), p. 2.

¹⁰ *The Federalist*, p. 246.

¹¹ Leach, *op. cit.*, p. 1.

¹² *The Federalist*, p. 242.

¹³ *Ibid.*

¹⁴ *Elliot's Debates*, Bk. I, Vol. 1, p. 422.

¹⁵ *Ibid.*, Vol. 2, p. 8.

¹⁶ *Ibid.*, Vol. 3, p. 87.

¹⁷ Charles Warren, *The Making of the Constitution* (New York: Barnes and Noble, 1937), p. 594.

¹⁸ *Ibid.*, pp. 594-95.

¹⁹ Madison, *Notes*, p. 659.

A Perfect System of Government?

LUDWIG VON MISES

THE "SOCIAL ENGINEER" is the reformer who is prepared to "liquidate" all those who do not fit into his plan for the arrangement of human affairs. Yet historians and sometimes even victims whom he puts to death are not averse to finding some extenuating circumstances for his massacres or planned massacres by pointing out that he was ultimately motivated by a noble ambition: he wanted to establish the perfect state of mankind. They assign to him a place in the long line of the designers of utopian schemes.

Now it is certainly folly to excuse in this way the mass murders of such sadistic gangsters as Stalin and Hitler. But there is no doubt that many of the most bloody "liquidators" were guided by the ideas that inspired from time immemorial the attempts of philosophers to meditate on a perfect constitution. Having once hatched out the design of such an

ideal order, the author is in search of the man who would establish it by suppressing the opposition of all those who disagree. In this vein, Plato was anxious to find a tyrant who would use his power for the realization of the Platonic ideal state. The question whether other people would like or dislike what he himself had in store for them never occurred to Plato. It was an understood thing for him that the king who turned philosopher or the philosopher who became king was alone entitled to act and that all other people had, without a will of their own, to submit to his orders. Seen from the point of view of the philosopher who is firmly convinced of his own infallibility, all dissenters appear merely as stubborn rebels resisting what will benefit them.

The experience provided by history, especially by that of the last two hundred years, has not shaken this belief in salvation by tyranny and the liquidation of dissenters. Many of our contemporaries are firmly convinced that what is needed to render all human affairs

Dr. Mises needs no introduction to *Freeman* readers. This article is reprinted by permission from *The Ultimate Foundation of Economic Science* (Princeton, New Jersey: Van Nostrand, 1962) pp. 94-101, now out of print.

perfectly satisfactory is brutal suppression of all "bad" people, i.e., of those with whom they disagree. They dream of a perfect system of government that—as they think—would have already long since been realized if these "bad" men, guided by stupidity and selfishness, had not hindered its establishment.

A modern, allegedly scientific school of reformers rejects these violent measures and puts the blame for all that is found wanting in human conditions upon the alleged failure of what is called "political science." The natural sciences, they say, have advanced considerably in the last centuries, and technology provides us almost monthly with new instruments that render life more agreeable. But "political progress has been nil." The reason is that "political science stood still."¹ Political science ought to adopt the methods of the natural sciences; it should no longer waste its time in mere speculations, but should study the "facts." For, as in the natural sciences, the "facts are needed before the theory."²

One can hardly misconstrue more lamentably every aspect of human conditions. Restricting our criticism to the epistemological

problems involved, we have to say: What is today called "political science" is that branch of history that deals with the history of political institutions and with the history of political thought as manifested in the writings of authors who disserted about political institutions and sketched plans for their alteration. It is history, and can as such never provide any "facts" in the sense in which this term is used in the experimental natural sciences. There is no need to urge the political scientists to assemble all facts from the remote past and from recent history, falsely labelled "present experience."³ Actually they do all that can be done in this regard. And it is nonsensical to tell them that conclusions derived from this material ought "to be tested by experiments."⁴ It is supererogatory to repeat that the sciences of human action cannot make any experiments. . . .

That every human action has to be judged and is judged by its fruits or results is an old truism. It is a principle with regard to which the Gospels agree with the often badly misunderstood teachings of the utilitarian philosophy. But the crux is that people widely differ from one another in their appraisal of the results. What

¹ N. C. Parkinson, *The Evolution of Political Thought* (Boston, 1958), p. 306.

² *Ibid.*, p. 309.

³ *Ibid.*, p. 314.

⁴ *Ibid.*

some consider as good or best is often passionately rejected by others as entirely bad. The utopians did not bother to tell us what arrangement of affairs of state would best satisfy their fellow citizens. They merely expounded what conditions of the rest of mankind would be most satisfactory to themselves. Neither to them nor to their adepts who tried to realize their schemes did it ever occur that there is a fundamental difference between these two things. The Soviet dictators and their retinue think that all is good in Russia as long as they themselves are satisfied.

But even if for the sake of argument we put aside this issue, we have to emphasize that the concept of the perfect system of government is fallacious and self-contradictory.

The Human Condition

What elevates man above all other animals is the cognition that peaceful cooperation under the principle of the division of labor is a better method to preserve life and to remove felt uneasiness than indulging in pitiless biological competition for a share in the scarce means of subsistence provided by nature. Guided by this insight, man alone among all living beings consciously aims at substituting social cooperation for what

philosophers have called the state of nature or *bellum omnium contra omnes* or the law of the jungle. However, in order to preserve peace, it is, as human beings are, indispensable to be ready to repel by violence any aggression, be it on the part of domestic gangsters or on the part of external foes. Thus, peaceful human cooperation, the prerequisite of prosperity and civilization, cannot exist without a social apparatus of coercion and compulsion, i.e., without a government. The evils of violence, robbery, and murder can be prevented only by an institution that itself, whenever needed, resorts to the very methods of acting for the prevention of which it is established. There emerges a distinction between illegal employment of violence and the legitimate recourse to it. In cognizance of this fact some people have called government an evil, although admitting that it is a necessary evil. However, what is required to attain an end sought and considered as beneficial is not an evil in the moral connotation of this term, but a means, the price to be paid for it. Yet the fact remains that actions that are deemed highly objectionable and criminal when perpetrated by "unauthorized" individuals are approved when committed by the "authorities."

Government as such is not only

not an evil, but the most necessary and beneficial institution, as without it no lasting social cooperation and no civilization could be developed and preserved. It is a means to cope with an inherent imperfection of many, perhaps of the majority of all people. If all men were able to realize that the alternative to peaceful social cooperation is the renunciation of all that distinguishes *Homo sapiens* from the beasts of prey, and if all had the moral strength always to act accordingly, there would not be any need for the establishment of a social apparatus of coercion and oppression. Not the state is an evil, but the shortcomings of the human mind and character that imperatively require the operation of a police power. Government and state can never be perfect because they owe their *raison d'être* to the imperfection of man and can attain their end, the elimination of man's innate impulse to violence, only by recourse to violence, the very thing they are called upon to prevent.

The Fight for Liberty

It is a double-edged makeshift to entrust an individual or a group of individuals with the authority to resort to violence. The enticement implied is too tempting for a human being. The men who are to protect the community against

violent aggression easily turn into the most dangerous aggressors. They transgress their mandate. They misuse their power for the oppression of those whom they were expected to defend against oppression. The main political problem is how to prevent the police power from becoming tyrannical. This is the meaning of all the struggles for liberty. The essential characteristic of Western civilization that distinguishes it from the arrested and petrified civilizations of the East was and is its concern for freedom from the state. The history of the West, from the age of the Greek city state down to the present-day resistance to socialism, is essentially the history of the fight for liberty against the encroachments of the officeholders.

A shallow-minded school of social philosophers, the anarchists, chose to ignore the matter by suggesting a stateless organization of mankind. They simply passed over the fact that men are not angels. They were too dull to realize that in the short run an individual or a group of individuals can certainly further their own interests at the expense of their own and all other peoples' long-run interests. A society that is not prepared to thwart the attacks of such asocial and short-sighted aggressors is helpless and at the

mercy of its least intelligent and most brutal members. While Plato founded his utopia on the hope that a small group of perfectly wise and morally impeccable philosophers will be available for the supreme conduct of affairs, anarchists implied that all men without any exception will be endowed with perfect wisdom and moral impeccability. They failed to conceive that no system of social cooperation can remove the dilemma between a man's or a group's interests in the short run and those in the long run.

Man's atavistic propensity to beat into submission all other people manifests itself clearly in the popularity enjoyed by the socialist scheme. Socialism is totalitarian. The autocrat or the board of autocrats alone is called upon to act. All other men will be deprived of any discretion to choose and to aim at the ends chosen; opponents will be liquidated. In approving of this plan, every socialist tacitly implies that the dictators, those entrusted with production management and all government functions, will precisely comply with his own ideas about what is desirable and what undesirable. In deifying the state — if he is an orthodox Marxian, he calls it society — and in assigning to it unlimited power, he defies himself and aims at the violent suppression of all those with whom

he disagrees. The socialist does not see any problem in the conduct of political affairs because he cares only for his own satisfaction and does not take into account the possibility that a socialist government would proceed in a way he does not like.

Lost in Details

The "political scientists" are free from the illusions and self-deception that mar the judgment of anarchists and socialists. But busy with the study of the immense historical material, they become preoccupied with detail, with the numberless instances of petty jealousy, envy, personal ambition, and covetousness displayed by the actors on the political scene. They ascribe the failure of all political systems heretofore tried to the moral and intellectual weakness of man. As they see it, these systems failed because their satisfactory functioning would have required men of moral and intellectual qualities only exceptionally present in reality. Starting from this doctrine, they tried to draft plans for a political order that could function automatically, as it were, and would not be embroiled by the ineptitude and vices of men. The ideal constitution ought to safeguard a blemishless conduct of public affairs in spite of the rulers' and the people's corruption

and inefficiency. Those searching for such a legal system did not indulge in the illusions of the utopian authors who assumed that all men or at least a minority of superior men are blameless and efficient. They gloried in their realistic approach to the problem. But they never raised the question how men tainted by all the shortcomings inherent in the human character could be induced to submit voluntarily to an order that would prevent them from giving vent to their whims and fancies.

However, the main deficiency of this allegedly realistic approach to the problem is not this alone. It is to be seen in the illusion that government, an institution whose essential function is the employment of violence, could be operated according to the principles of morality that condemn peremptorily the recourse to violence. Government is beating into submission, imprisoning, and killing. People may be prone to forget it because the law-abiding citizen meekly submits to the orders of the authorities so as to avoid punishment. But the jurists are more realistic and call a law to which no sanction is attached an imperfect law. The authority of man-made law is entirely due to the weapons of the constables who enforce obedience to its provisions. Nothing of what is to be

said about the necessity of governmental action and the benefits derived from it can remove or mitigate the suffering of those who are languishing in prisons. No reform can render perfectly satisfactory the operation of an institution the essential activity of which consists in inflicting pain.

Responsibility for the failure to discover a perfect system of government does not rest with the alleged backwardness of what is called political science. If men were perfect, there would not be any need for government. With imperfect men no system of government could function satisfactorily.

The eminence of man consists in his power to choose ends and to resort to means for the attainment of the ends chosen; the activities of government aim at restricting this discretion of the individuals. Every man aims at avoiding what causes him pain; the activities of government ultimately consist in the infliction of pain. All great achievements of mankind were the product of a spontaneous effort on the part of individuals; government substitutes coercion for voluntary action. It is true, government is indispensable because men are not faultless. But designed to cope with some aspects of human imperfection, it can never be perfect.



The Essential Paul Elmer More

ALONG toward the end of the Nineteen Twenties, the philosophy of humanism — it was called the New Humanism then, just to make it fashionable — had a short-lived revival in literary New York. The New Humanism set its face against most of the prevailing 'isms of the day, against humanitarianism, socialism, liberalism, anarchism, progressivism or whatever. Naturally its enemies vastly outnumbered its friends, but for a brief period the New Humanism had its magazine outlets (Seward Collins's *Bookman* and, to a limited extent, Lincoln Kirstein's *Hound and Horn*). For one excited year Irving Babbitt, the Harvard don who had made an arch-devil out of Rousseau, and Paul Elmer More, a legendary figure who had been literary editor of *The Nation* before World War I (what a different *Nation* it had been then!), were the subject of thousands of

arguments in Greenwich Village. Babbitt and More were the Old and New Testaments of the New Humanist movement, and as we searched the texts (Babbitt's *Rousseau and Romanticism* and More's *Shelburne Essays*) we found horrifying things. One of our group, C. Hartley Grattan, got up a book, *The Critique of Humanism*, to which we all contributed scornful papers. My own was a defense of the modern novel against New Humanist critics.

We hated Paul Elmer More with a special passion for his defense of property. Had he not said that, "looking at the larger good of society, we may say that the dollar is more than the man, and that *the rights of property are more important than the right to life*"? (The italics were More's.) More had written the infuriating words in 1915 in response to Socialist Morris Hilquit's attack on the

Rockefellers for their alleged hiring of "criminals and thugs to shoot the strikers" in the coal fields of Colorado. Remembering the recent executions of Sacco and Vanzetti, whom we considered victims of the propertied classes of Massachusetts, we could only conclude that Paul Elmer More was a cold-blooded enemy of humanity who deserved all that he got in our now-forgotten *Critique of Humanism*.

New Wars to Wage in 1929

The quarrel over the New Humanism was at the height when the stock market crashed in 1929. But as the depression snowballed, with the bread lines lengthening, literary New York soon turned to more immediate concerns. Babbitt and More were forgotten; the newer quarrels were over Howard Scott's *Technocracy*, Rexford Tugwell's *Brain Trusters* and the Stalin-Trotsky split in the Soviet Union. The intellectuals of the Thirties went off in several sociological directions, some of them to work for writers' projects on the WPA, and the big tempest over the New Humanism blew no more. Since then the works of Paul Elmer More have gone out of print, and only an occasional Russell Kirk has seen fit to talk about More as though he were a living author.

The republication of a selection from More's writings in *The Essential Paul Elmer More*, edited with an introduction and notes by Byron C. Lambert (Arlington House, \$12.95), is an eye opener after all these years. Rereading that once-hated essay by More in defense of property, I am struck by its subtlety. What seemed, in 1929, to be a crass defense of rich men was actually nothing of the kind. More was championing the rights of property not particularly because he cared for the Rockefellers, but because he believed that the right to life could not be secure if property were not itself secure. More had written his essay before Lenin had taken over in Russia and rendered life precarious for generations to come. With tremendous foresight More questioned that "community of ownership" would "eliminate the greed and injustice of civilized life." He had nothing to go on here beyond his observation that socialists were "notoriously quarrelsome" among themselves, yet he turned out to be eminently correct. Looking back over the long past, More found "a convincing uniformity in the way in which wealth and civilization have always gone together, and in the fact that that wealth has accumulated only when private property was secure."

In the Worker's Interest

It was in the interests of the working men that More defended the property relations of the capitalist order. He had noticed, he said, that nearly all that makes life more significant to men than it is to beasts is associated with possessions. This is true "with property, all the way from the food we share with the beasts, to the most refined products of the human imagination." More was not sentimental about the workers, but he argued that those who were careless about ownership would not see to it that "labour shall receive the recompense it has bargained for" and that "the labourer, as every other man, shall be secure in the possession of what he has received." As for the old canard that the desire for property encourages "materialism," More said that the sure way to foster the spirit of materialism is to unsettle the material basis of social life. "The mind," he argued, "will be free to enlarge itself in immaterial interests only when that material basis is secure, and without a certain degree of such security a man must be anxious over material things and preponderantly concerned with them."

All this, in 1972, sounds most reasonable. What More was saying as far back as 1915 is that the property right is a human right,

and that a man without possessions is inevitably at the mercy of others, and especially at the mercy of the political bureaucrats who run the State. In 1929 most of us were too stupid to see the validity of More's reasoning.

Training for Civilization

In a foreword to Professor Lambert's selections of "The Essential Paul Elmer More," Russell Kirk writes that "if some of us are to fight our way to shore, we need More's chart." The chart is here, for the Lambert selections give us More in all his catholicity. He was immensely learned in Greek, Latin, Sanskrit and several modern languages, yet he hated the pedantry that would shun ideas in order to concentrate on such things as linguistics and archaeology. He thought Greek and Latin supplied a good discipline, but an equally important reason for studying the classics was to learn something about the rise and fall of civilizations. It was "a virile scholarship of ideas" that he was after.

More wrote long before we had a "counter-culture," or before the modern theory of "relevance" had been elaborated. But his essay on "Natural Aristocracy" could stand for a good commentary on the cultural and educational trends of the Nineteen Sixties. Concentra-

tion on currently topical studies, he said, "results in isolating the student from the great inheritance of the past; the frequent habit of dragging him through the slums of sociology, instead of making him at home in the society of the noble dead, debauches his mind with a flabby, or inflames it with a fanatic, humanitarianism. He comes out of college . . . a *nouveau intellectual*, bearing the same relation to the man of genuine education as the *nouveau riche* to the man of inherited manners."

More, of course, had not heard about "relevance." But he knew all about cant, and he had the answer to the Sixties way back in 1915.

ENTERPRISE DENIED: Origins of the Decline of American Railroads, 1897-1917 by Albro Martin (New York: Columbia University Press, 1971, \$10.95, 402 pp.)

Reviewed by Joseph M. Canfield

AMERICA grew at a phenomenal rate during the first decade of the twentieth century, and the railroads tried to expand to meet the challenge. This era produced Pennsylvania Station and Grand Central Terminal in New York and Union Station in Washington, conspicuous evidence of the desire of the railroads for expansion. Railroad buffs can show, from their own photo collections, or

from the pages of a plethora of published railroad histories, dramatic evidence of the increase in size and power of locomotives in this period. But rolling stock is easy to acquire, even when capital for fixed way and structures is difficult to obtain. President Elliott of the Northern Pacific Railway observed, in 1907, that the roads were "attempting to force a three inch stream through a one inch nozzle." The congestion of the railroads was a harbinger of things to come.

The warning sounded by Elliott and other railroad leaders wasn't heeded. Martin declares, and demonstrates his point statistically, that the capital needed for expansion of the railroad plant was far, far short of what was needed to cope with expanding traffic. His table shows that the growth capital available in certain years, before World War I, came to as little as a fourth of the amount actually required to handle the traffic being thrust upon the railroads.

In those "Golden Years" the price index rose rapidly. Everything that the railroads bought cost more. Labor demanded — and received — substantial wage increases. But under the regulatory philosophy prevailing, the railroads were not permitted to raise rates at all.

Railroad regulation was based on a philosophy, called by Martin "Archaic Progressivism." It had several assumptions, all now proved to be substantially invalid. One was that the railroads were overcapitalized. This supposedly made the shippers pay excessive rates in order to give the security holders undeserved earnings. The fallacy was ultimately exploded, as a result of the ICC ordered valuation of the railroads, but it is still believed in many sectors of the community and still taught in many schools.

Another fallacy was the concept of a "reasonable rate." A freight rate is a price for moving goods, nothing more. Hopefully, it would permit satisfactory recompense to the carrier, covering the cost of service and a return on investment. At the same time it must be at a level that will permit goods to move. Somehow, the Progressives in Congress — and elsewhere — believed in a concept of "reasonableness" substantially independent of market factors inherent in the setting of any other price. This undefined and undefinable concept buttressed the determination of leaders in the "Progressive Era" to deny the railroads increases in rates.

Three times in the Roosevelt-Taft-Wilson period, the railroads went to the Interstate Commerce

Commission for general across-the-board increases in freight rates. The chapters in which Martin describes these exercises in futility are entitled, "The First Denial," "The Second Denial," "The Third Denial." The philosophy of the times, the prevailing political climate, the laws creating the Commission and directing its activities doubtless left any other kind of decision outside the realm of probability; the parties involved really didn't know how the economy worked. They appeared quite unaware of how tinkering at one point in the economic system could produce unwanted results in other areas. Even the railroad officers, expert railroaders, were quite unaware of the ideas prevailing outside their own group — and how to contend with them.

"Defeat of the young by the old and silly." This quotation from one of Vachel Lindsay's poems appears at the head of the chapter "Third Denial." The quotation is appropriate in view of the succeeding generations which have had to contend with inadequate transportation. The men who "starred" in that era in placing the regulatory shackles on the railroads may well be described as "old" and/or "silly." Typically they were men whose thinking on railroads had congealed in the conditions of the 1870's, with rem-

edies based on interpretations which probably weren't valid even then. They were men of advancing years who clung to ideas which had lost contact with the real world they were supposed to be legislating for.

Robert M. LaFollette fought valiantly as late as 1917 to prevent any rate increase. An increase didn't fit in with his ideas of Commission regulation. LaFollette's reputation was based on his earlier career in Wisconsin where his Wisconsin Railroad Commission was considered a model of the genre. Elsewhere it has been shown that this Commission came close to depriving Milwaukee of both power and transportation a few years later.

Theodore Roosevelt's blocking of E. H. Harriman's control and revitalization of the Alton Railroad served only to provide first-rate publicity for an exceptional case of looting a railroad. And it kept the Alton from its full potential in the railroad system until after World War II.

William Howard Taft succeeded in alienating every shade of opinion on the railroad question. But he proudly took credit for the Parcel Post Law. This forced the railroads to haul packages as mail at much lower rates than they had received for similar packages when handled as express — not

very helpful when earnings were already jeopardized and the roads thirsting for capital.

Louis D. Brandeis, while supposedly protecting the "public," played major roles in all three "Denials." In fact, he made the hearings pretty much his show. He cleverly trapped railroad officials and twisted the effect of their testimony, while refutations didn't get the publicity his presentation received. He was on the Supreme Court when the Adamson Act (8-hour railroad day) came before that body. He served neither the railroads nor the public.

The 8-hour day crisis as it built up under Wilson demonstrates the silliness of the time, the age, the movement. Martin describes a dramatic scene at the White House where Wilson had summoned thirty railroad presidents:

If the railroads would cooperate he was willing to do all he could to get the ICC to grant rate relief, provided that the eight-hour commission recommended it. Pointing his finger at the railroad presidents, he declared, "If a strike comes, the public will know where the responsibility rests. It will not be upon me."

The crisis had been forced upon the railroads by denying them normal economic freedom. Placing the entire onus for a strike on the railroad presidents was not in ac-

cord with the moral principles of our American tradition. It was reprehensible to order the railroads to increase their costs (by shortening the working day) without permitting commensurate rate increases by grant of the Interstate Commerce Commission. If Wilson could order the railroad men, he could instruct the Commission. He didn't choose to give equal treatment.

In the winter following Wilson's "salon," the nation paid dearly for the maltreatment of its railroads. The incredible congestion at the ports, the car shortages, the shortages of necessities, the skyrocketing prices, the approach to civil rights were among the end results of following policies which did not allow the railroads to operate in a free market.

► **THE GROWTH OF ECONOMIC THOUGHT** by Henry W. Spiegel (Englewood Cliffs, New Jersey: Prentice-Hall, 1971), 816 pp., \$12.95.

► **THE EVOLUTION OF ECONOMIC THOUGHT** by W. E. Kuhn (2nd ed.; Cincinnati: Southwestern, 1970), 500 pp., \$10.20.

Reviewed by Gary North

THERE ARE a lot of textbooks tracing the development of economic thought. Too many of them, in

fact. Sometimes one of these can become a true classic, such as Joseph Schumpeter's *History of Economic Analysis*, but most of them gather dust on the shelves, for good reason. They are essentially reference books and tortures inflicted on undergraduate students.

The two books under review are, from the point of view of the free market position, quite serviceable. Spiegel's is more clearly a reference book, going from school of thought to school of thought, scholar by scholar. His is a summary, a descriptive work, with very little critical analysis. But he gives a fair presentation of the advent of marginalism and the contributions of the Austrian School. The book contains a superb annotated bibliography, 130 pages long. It is a kind of miniature encyclopedia, and for quick reference for refresher purposes, Spiegel's is an ideal guide.

Kuhn's book is more technical and analytical. In contrast to Spiegel's brief sketches of the contributions of many economists, Kuhn has focused on key members of various schools of thought, thus enabling him to present more complete descriptions of their contributions. The first half of the book is arranged in terms of the various economic schools: "From Menger to Bohm-Bawerk," "From

Marshall to Wicksell," "Keynes," and so forth. The second half is devoted to important areas of inquiry, such as "Monetary and Banking Theory," "International Trade Theory," and "Business Cycle Theory." At the end of each chapter he adds a helpful biographical section, although the sketches are brief.

By avoiding the pitfalls associated with any single form of organization, whether purely chronological, topical, or biographical, Kuhn has produced a textbook that deals adequately with both history and issues, people and ideas. The careful student can come away from the book with a better chance of remembering some of the data jammed into the chapters.

So long as the reader understands the limitations on textbooks — that they should be used to introduce us to the key primary sources and to refresh our memories once we have read the basic original materials — an investment in either or both books could pay off. Next time, you can look up that seemingly obscure footnote and find out why the author both-

ered to make reference to some long-dead economist. It will help us to understand why Keynes said that the intellectuals and politicians of any era are quite likely to be mouthing the phrases of some "academic scribbler of a few years back."

► AN ECONOMIST'S PROTEST by Milton Friedman (22 Appleton Pl., Glen Ridge, N. J.: Thomas Horton & Co., 1972), 219 pp., \$2.95.

This paperback collection of Prof. Friedman's *Newsweek* columns is a handy reference guide for those who want a simplified, quick introduction to the author's controversial opinions. Sections on "Nixon Economics," "Monetary Policy," "A Volunteer Army," "Social Security and Welfare," "Government and the Interests," and "Government and Education" present numerous articles that have been plaguing "liberals" over the past six years. For example, the section on "Monopoly" contains three essays, two of which assail the Post Office, and the third one criticizes governmental regulation and state ownership in general. 🌐

Prepared by BETTINA BIEN GREAVES of the Foundation staff

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