

THE Freeman

IDEAS ON LIBERTY

JANUARY 1966

Author of Liberty	<i>Edmund A. Opitz</i>	3
The Relativity of Relativity	<i>Miller Upton</i>	6
Individualism versus Racism	<i>Anne Wortham</i>	13
Sweden's Great Society	<i>Sam H. Husbands, Jr.</i>	18
Six Misconceptions about Consumer Welfare	<i>Joel Dean</i>	22
State Economic Planning: Tragedy or Futility	<i>William Henry Chamberlin</i>	27
The Flight from Reality: 16. From Ideology to Mythology, I	<i>Clarence B. Carson</i>	34
The Serpentine Gauntlet	<i>Journal of Commerce</i>	45
Money and Free Markets: A Summary	<i>V. Orval Watts</i>	48
The Human Desire for Freedom	<i>Edward Y. Breese</i>	56
Books:		
This Independent Republic	<i>John Chamberlain</i>	59
Other Books		62



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



WHAT'S INFLATION?

Send for your copy of President Joe Crail's **FREE** informative **SPEECH** and find out what **YOU** can do to stop inflation.

Individual financial security is one way to help keep our nation economically strong. A Coast Federal Savings account is designed to encourage you to save.

SAFETY

Sound, Conservative Management
Insured Savings Accounts

HIGHER EARNINGS

Planned rate for 2nd half 1965 is 4.85% per year, compounded **DAILY**, paid semi-annually. Savings held 1 year at this rate earn 4.97%.

CONVENIENCE

Save-by-Mail pays **AIR MAIL** postage both ways

COAST FEDERAL SAVINGS AND LOAN ASSOCIATION

Department F, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a **FREE** copy of "What's Inflation?"
☐ I enclose my check (or money order) for \$_____
☐ Please open a Coast Federal Savings account—
 ☐ Individual
 ☐ Joint in the name(s) of

NAME _____

STREET _____

CITY _____ STATE _____

5-112A



COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

IN THIS ISSUE

- ✓ The Reverend Edmund Opitz starts the New Year with a sermonette for the individual who is not self-created nor fully self-contained in his search for freedom p. 3
- ✓ Despite the appeal of relativity, there are certain absolutes and standards to be observed in the search for truth, believes the president of Beloit College p. 6
- ✓ A young American thoughtfully re-examines the issue of civil rights and how individuals may hope to earn and enjoy them p. 13
- ✓ Inexorably, the tax collector assumes an increasingly prominent role in the life of every participant in Sweden's "great society" p. 18
- ✓ An economic and management consultant spells out six of the most popular misconceptions concerning consumer welfare in the United States p. 22
- ✓ William Henry Chamberlin, an eyewitness to Stalin's famine in 1932-33, points out that central government planning fails miserably wherever tried p. 27
- ✓ In this chapter, Dr. Carson explains how facts are distorted by false theories into myths that rule and can wreck our lives p. 34
- ✓ The recent legislative struggles over the sugar bill strike the editors of **The Journal of Commerce** as reason enough to rely upon the market for such matters p. 45
- ✓ Dr. Orval Watts draws a distinction between money and credit that may lead away from some of the confusion surrounding these instruments p. 48
- ✓ The human desire for the freedom of recognition is a major reason why the totalitarian state is unlikely to prevail p. 56
- ✓ John Chamberlain finds some unpopular but timely comments on the state of the nation in **This Independent Republic** by Rousas Rushdoony, ...p. 59
- ✓ Robert Thornton delights in Mr. Krutch's analysis of the life and meaning of **Henry David Thoreau**; also reviewed favorably is Daniel Boorstin's **The Image: A Guide to Pseudo-Events in America** p. 62

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

JANUARY 1966

Vol. 16, No. 1

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Flight from Reality," "The Serpentine Gauntlet," and "Money and Free Markets."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

Author of Liberty

EDMUND A. OPITZ

SAMUEL SMITH wrote the words for "America" in 1832, while a student at Andover Seminary. The fourth verse is virtually a prayer, beginning with the familiar words:

Our father's God, to Thee,
Author of liberty.

The prayer is addressed, not to some god in the Hindu pantheon, nor to the gods of the Medes and Persians, but to the God of the Bible, the God of our Judeo-Christian heritage. What is unique about this idea of God, and in what sense is he the Author of liberty? Let's go back a few thousand years. The common opinion in the ancient world — an opinion still prevalent — was that a god is useful to have around to sanction social practices, to guarantee pros-

perity, and to insure victory in battle. When the gods were angry, you had a run of bad luck, so you had to butter them up until you changed their attitude. If a crop failed, the god in charge either responded to your incantations, or you fired him. If your tribe lost a battle, this signified the superior medicine of the victor's gods, so you adopted them. The Victorian novelist, Samuel Butler, felt that many of his contemporaries still clung to such childish notions, which he satirized by declaring: "To love God is to have good health, good looks, good luck, and a fair balance of cash in the bank." Too many people, and not only in the ancient world, act as if they regard God as a sort of cosmic bellhop eager to run their celestial errands for them, while revealing the short cut to success and the secret of get-something-for-less schemes.

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education. This is a Sunday morning sermonette at a recent FEE seminar.

One God

The ancient Israelites were the first people to discard the notion of a god kept on tap for luck and tricks. They lapsed now and then, but were jerked up hard by their prophets, who proclaimed the God of righteousness and truth; these men saw the workings of God even in their own poverty and defeat. Theirs was not a kept god who could be worked on by magic to serve the devious ends of men. He was the God of religion who laid down the rules for an orderly universe in which men, by learning and obeying the commands, earn their own way. This God cannot be bought or bribed — in contrast to the god of magic — and men see his handiwork in the preponderance of order, harmony, balance, and economy in the workings of the universe. This universe plays rough but fair; it can be trusted. Its trustworthiness, translated over into the material world, becomes the natural sciences tracing cause and effect sequences and drafting laws to describe the workings of natural phenomena.

A stone falls because it has no choice in the matter; hydrogen cannot refuse to enter into a combination with oxygen under certain conditions. There's no freedom at the level of physics and chemistry. But life comes onto the scene and adds a new dimension.

On the biological spectrum with an oyster, say, at one end, and a chimpanzee at the other, we note an increasing freedom in the higher forms of life, culminating in man. The universe is not random but intentional, and one of its intentions issues in a creature gifted with a novel kind of freedom of choice.

Man appears on the scene, Nature's wayward son. The eminent biologist, Lecomte du Noüy, broadly surveys the planetary scene and declares that "everything has taken place as if, ever since the birth of the original cell, Man had been willed."¹

Here, at last, is a creature so radically free, so insulated from the instinctual controls that guide animals, that he can defy the laws of his own being. Man's will is free; all other creatures obey the laws of their nature, but he alone possesses that radical freedom which makes it possible for him to deny his Maker. We sometimes accuse tyrants of trying to play god, but this is not an apt metaphor: God himself does not "play god"! We have the gift of an inner freedom so far-reaching that we can choose either to accept or reject the God who gave it to us, and it would seem to follow that

¹ Lecomte du Noüy. *Human Destiny*, a Mentor paperback, available from FEE at 60¢.

the Author of a freedom so radical wills that we should be equally free in our relationships with other men. Spiritual liberty, of the sort men have, logically demands conditions of outer and social liberty for its completion.

The goal of collectivism is the perfect adaptation of man to society and society to nature. We challenge this goal with the conviction that every person has a destiny beyond society. He has a soul, for whose proper ordering he is responsible, not to society or to the state, but ultimately to God.

Inner Freedom

Such an understanding of the nature and destiny of man is the cornerstone of a free society. Whenever a significant number of people become aware of their inner freedom and its demands, they will have little trouble in establishing the secular institutions of liberty in their society. They will limit government so that there will be no political invasions of the

sacred prerogatives of individual persons; they will secure every person's rightful property, and trust their economic problems to the market for solution. These things are in the realm of means, but they are indispensable means for shaping the right kind of social conditions out of which individual persons may emerge as society's completion and fulfillment.

Man does not *create* himself, nor write the laws of his being; but man does *make* himself. And as he does, he begins to discover who he is and what he may become. "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."

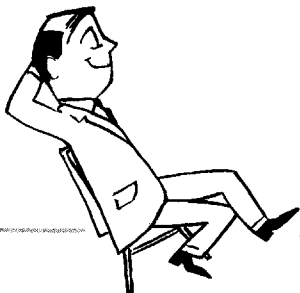
May we then seek to serve the Author of our liberty, in whose service we find our perfect freedom. ♦

IDEAS ON LIBERTY

Ancient Advice

IF THOU SEEKEST RESPONSIBILITIES, apply thyself to being perfect. If thou takest part in a council, remember that silence is better than an excess of words.

From Instructions of Ptah-Hotep, (written for the use of Egyptian princes some 5,300 years ago.)



THE RELATIVITY OF RELATIVITY

MILLER UPTON

AS THE PRESIDENT of Beloit College and the principal speaker at this colorful and (hopefully) impressive opening convocation, I reckon my responsibility to be that of saying something to the college community that is both relevant and profound: relevant in terms of the beginning of a new college year and your needs during the year; profound in terms of the social relevance of what we are or should be engaged in here. This is quite a price to pay for having the honor of being president!

But I think maybe I can rely upon my experience to offer something relevant and helpful to at least the younger members of the community. I will leave to your judgment the element of profun-

dity. I have discovered over the years a technique for escaping a discussion in which one has been involved and become bored or trapped — or at least changing the subject to something more personally palatable. And since part of our educational technique here at Beloit is to encourage discourse, dialogue, conversation, and discussion both in and out of class, one is well-advised to have such a handy technique readily available.

The technique I have reference to is to lean back in your chair, put your hands behind the back of your head, cross one leg over the other, and say in a most profound way: "Well, you know, everything is relative!" You will find that immediately silence will blanket the area, and it will eventually be removed either by all agreeing you are right and discussion ceasing

This article is from Dr. Upton's Opening Convocation remarks at Beloit College, September 11, 1965.

or by someone else barging in with a new topic. It is just like writing Q.E.D. at the end of a mathematical proof.

Now I wish that having provided you with this gem of advice I could sit down, lean back, cross my legs, and feel my job was done. But whereas this technique is very relevant to the real world of avoiding or winning discussion, it is not very profound. It works, but not being a pragmatist myself I would feel cheap offering it to you with real support. You see, like so many things fashioned by man's limited intellect, this statement promises more than it can really deliver. It is in essence a clever device and not a profound solution. Without always being intended as such, it is in fact a sham and a trick. It is only a partial statement with the superficial appearance of profundity.

Everything may be relative in terms of man's limited power to measure or to comprehend or in terms of man's own world of knowledge, but this does not mean that in the truth of the universe everything is relative. If everything were relative, where would this leave the principle of relativity? You know, "every generalization is false including this one." Well, by the same token, everything is relative including the principle of relativity.

I wouldn't give the matter so much importance were the principle limited to the use for which I have commended it. But when it is extended to possess the character of an absolute itself — to justify individual action, not merely curtail discussion — there is great danger involved. It becomes in essence a false God — a clever rationalization, not a qualified reason.

The New Morality

This is how I see its role in what is now being preached and peddled under the title of *The New Morality*. As I understand the thesis, since "everything is relative," there can be no basis on which to judge moral values in any absolute sense. Morality is a matter of circumstance, of prevailing conditions. What may be right in one situation may not be right in another. Or what may be wrong for one culture may not be wrong for another. Certainly there would seem to be strong evidence in support of this proposition, for different cultures throughout the world do in fact have different and even diametrically opposed customs, mores, and standards of value.

The whole proposition is very plausible, and certainly it is appealing to those who are threatened by the existing standards of value. In fact, it is so plausible and

appealing that its advocates have become the moralistic and even pietistic spokesmen of the day — with all of the accompanying arrogance and smugness generally associated with the religious leaders of the day. Theirs is not the official orthodoxy, but theirs is the practicing orthodoxy just the same.

But despite its current ascendancy, this so-called *new morality* is just another of man's passing fancies in his historic quest for meaning and moral judgment. It is destined to eventual decline, if not extinction, for it is founded upon the shifting sands of the principle of relativity.

It has built-in contradictions, and is bound to dissipate itself through the centrifugal force of its circular reasoning. For, you see, the moral relativists, by making an absolute of the principle of relativity, have created a value structure that is subject to the same deficiency that they claim of all others. The only consistent relative value structure would be one that says there is *no* absolute and therefore *no* intrinsic values — not even a principle of relativity. Under *no* circumstances can there be a good or bad, or a right or wrong, for there is no absolute standard by which to measure such. There can be no purpose to life — no purpose in living — no meaning to so-

ciety or social welfare. Therefore, bring on the atom bomb, the H bomb, suicide, homicide, fratricide, slavery, racial discrimination, thievery, rape, sexual promiscuity — so what?

Their Own Standards Preferred

The truth of the matter, of course, is that the moral relativists don't go this far. They don't really believe in the absence of moral standards; they merely want to substitute their own standards for the prevailing ones, and their adherence to relativism is a convenient device, albeit an inconsistent one.

Logic would seem to establish quite clearly that there can be no good or bad, no better or worse, no right or wrong without reliance upon some absolute frame of reference by which to make such judgments. There are some who judge values in only an evolutionary sense rather than an intrinsic sense. That is, they claim an act is good or bad on the basis of whether it is good or bad for society — whether "it works." But in so doing they tacitly concede the need for society, which in turn assumes a purpose to life, and this in turn rests upon the assumption of some ultimate good or ultimate truth. They are therefore not moral relativists, for they adhere to certain absolute presupposi-

tions, even though it may be subconsciously. There are few, if any, practicing atheists, which one would have to be if he were to be a true moral relativist.

In essence, then, the *new morality* is neither new nor moral. Whenever man has become bored with or dubious of the existing moral code he has challenged it on the basis of the underlying absolutes. And when he wearies of the search for the real absolute, he is inclined to agree that there are no absolutes, that "everything is relative." But once he takes this position he forecloses his right to substitute another moral code, for he lacks a frame of reference by which to make moral judgments in general.

What is really at stake is not a new morality but a new absolute — a new frame of reference for making moral judgments. It is one thing to question the existing frame of reference, but it is quite another thing to say there is no need for a frame of reference. We may be correct in being disenchanted with the existing moral code, but we dare not try to say that no moral code can be defended on absolute grounds. For the fact is, this is the *only* basis on which a moral code can be established or defended. We may differ on what we believe to be the absolute, but we cannot differ on the need for

an absolute if we are to agree on the need for a moral code.

But what has all this to do with education at Beloit in the year 1965-66? Simply that there is no purpose in education anywhere unless there is a purpose in life. Without an absolute assumed, there can be no truth to seek. If *everything* is relative, then ignorance is not merely bliss — it's *excellence*.

Upgrading the Intellectual Level

In the final analysis *education* is a goal and not a process, and in this respect it is fundamentally a religious enterprise. Its goal is to upgrade society by upgrading the intellectual level of the members of society. But such a goal presupposes an importance to society and the individual, which in turn presupposes a purpose to life, which in turn presupposes a basic truth of the universe — an absolute — a God.

By being at Beloit College every one of us, student and teacher alike, is committed to the assumption that there is an absolute — be it called God, love, brotherhood, justice, truth, infinity, XYZ, or what have you — and let us not try to weasel out of accepting this cold fact by some form of rationalization. We don't have to agree on what the absolute is or how it is manifested, but we do have to

accept the existence of some ultimate truth, some ultimate goal to life. If such were not the case, then why should we be concerned with the intellectual growth of the individual student and the quest for truth? Our whole effort would be an elaborate system of meaningless busywork rather than an orderly process for the upgrading of humanity.

An Unknown Power

While I cannot prove there is a God (however defined), certainly no one can prove there is none. And to maintain the position that there is no God requires a reckless disregard of circumstantial evidence for the simple reason that nothing is likely to develop from nothing. For me it is enough for the time being to define God as that unknown and unseen power which is at the heart of the creation and operation of the universe and whose existence gives meaning to life. And it is the goal of human inquiry to identify and define this power in all its manifestations.

It is unfortunate that so many of us have tended to take such a hard and undeviating attitude toward the question of God as a result of a strong reaction against the historic and standard definitions of God. We should be able to differentiate between the con-

cept of an absolute truth in the universe called God and prevailing definitions and descriptions of God. For example, I would agree completely with Hugh Hefner of *Playboy* fame as quoted in the July 19 issue of the *National Observer* when he claims that when we say that God created man in his own image we are tripping over our own ego, for what we really are saying is that man created God in his own image. This, of course, is the ultimate of arrogance and anti-intellectualism, but it should not cause us to react violently and irrationally by saying there is no God simply because we resent the definitions of God that now prevail.

The assumption of God, of an absolute truth, in other words, is necessarily at the heart of every educational effort. We don't have to know what it is in order to seek it. But we do have to believe that there is such in order to have the courage to persevere in the search and in order to have a stable society while we search. Let's differ, if we will, on the manifestations of God, but let us all agree on the existence of a God. Otherwise we will simply be spinning our wheels as are our moral relativist friends.

Truman Douglass, the Executive Vice-president, Board for Homeland Ministries, of the United Church of Christ, has

stated in a magnificent capsule form what I have labored so hard here to try to get across.

"If humanity is to live," he says, "there must be men who know why they live. There must be not only persons of great skill in devising the means of life, but persons of great amplitude and zest and passion in their affirmation of life. There must be not only men with sharpened intelligence but men of vigorous purpose and strengthening hope. The Church should labor to insure that those who are members of the informed community shall also be members of the responsible community.

"There is a tragic waste represented by the gifted who remain uneducated. But there is an even greater waste represented by the educated who remain uncommitted."

***Education Cannot Be Given,
But Must Be Acquired***

Again, what does all this mean for us here at Beloit College in the year 1965 as we begin a new college year—the second under our new plan? Simply this: If there is anyone here who came "to receive" an education, he should go back to his room after this convocation, pack up, and leave. (I really mean it!) Education like wisdom is acquired, not given. You must look upon it as something you are out to get on your own initiative—not be given. We can't

give you an education, but we can help you acquire an education.

We have what we consider to be a curriculum second to none, an undergraduate faculty second to none, and a physical plant that is well on its way to becoming second to none—all of which means that you should have a better chance of getting educated here than most anywhere else. But you must constantly realize that the institution of Beloit College is merely the catalytic agent to the process. We don't dole out capsules of learning, we only provide the environment and means to encourage and facilitate your learning. The teachers aren't your competitors; rather they are your doctors of learning. You individually have hired them to help you in your individual quest for learning. Use them in this regard and expect them to serve you in this regard.

Also keep in mind that the measure of learning is not how many courses you have passed or course-credits you have garnered; it is only represented by how much you have grown intellectually—how vigorously you think, how well you see relationships, how concerned you are for the life of the mind, how informed you are, how reflective you are, how concerned you are for "the responsible community." We can't give you these qualities, but we can and will con-

stantly challenge you to develop them and help you do so to the best of our ability.

Remember, too, that in this process "doubt is the beginning of wisdom." To question is the first labor pains of learning. But don't fall into the easy trap of thinking that it is the essence of learning. Asking the right questions is not enough; eventually you have to come up with the right answers. In the final analysis, the main purpose of education is to provide answers to the yet unsolved problems of man.

This goal presupposes that there is a purpose to life and that there must be a logic to life. It is not enough to say that everything is relative. This is merely an interim or stop-gap statement. Everything is relative only so long as we have

not yet discovered the absolute, but this does not mean there is no absolute to be discovered.

Everyone's life must be founded upon some assumption as to the absolute or else there can be no stability to life, no basis for moral values. It is not necessary to say what the absolute is, only that there is such despite the fact that our small and finite minds can't conceive it at once in its entirety. In a way, all of education — all of learning — is a search for the absolute. And during the search we must each set our standards on what we assume it to be. We must be committed to some standard even while we are looking for it. This, as I see it, is our mission in the year ahead — and for every year to come. ♦

IDEAS ON LIBERTY

Self-Reliance

WHAT I MUST DO is all that concerns me, not what the people think. This rule, equally arduous in actual and in intellectual life, may serve for the whole distinction between greatness and meanness. It is the harder because you will always find those who think they know what is your duty better than you know it. It is easy in the world to live after the world's opinion; it is easy in solitude to live after our own; but the great man is he who in the midst of the crowd keeps with perfect sweetness the independence of solitude.

RALPH WALDO EMERSON

Individualism

versus

RACISM

ANNE WORTHAM

THE DECLARATION of Independence of July 4, 1776, laid the foundation for a new society among men on grounds that each individual of right ought to be free to act on his own judgment, for his own goals, by his own choice. Human dignity, in other words, involves self-responsibility for life, liberty, and one's pursuit of happiness.

That essence of the Declaration of Independence is being subordinated and forgotten by today's black and white leaders of the Negro Revolution whose banner is "equality."

Let us recall what Abraham Lincoln said about this: "I protest against that counterfeit logic which concludes that because I do

not want a black woman for a *slave*, I must necessarily want her for a *wife*. I need not have her for either; I can just leave her alone. In some respects she certainly is not my equal; but in her natural right to eat the bread she earns with her own hands without asking leave of anyone else, she is my equal, and equal to all others."

There can be no greater condition of equality among men than this. Anything less than this is slavery; and the direction in which the American people today are being led by civil rights leaders, in and out of government, tends toward slavery. A free man is not something emerged from a stew called society. The nature of a man's thoughts and actions, the life he lives, his concept of himself are the qualities of being human — the qualities of individual-

Miss Wortham, who spent two years as a Peace Corps Volunteer in East Africa following college graduation, looks for a career in free-lance writing.

ity, rather than the gray sameness of imposed equality.

The Constitution of the United States was designed to protect the rights of the individual against trespass by other individuals, or by government. But the original code made no provision for the abolition of slavery or recognition of the Negro as an individual. Section 9 of Article I denied to Congress power to prohibit the importation of slaves prior to 1808, and Section 2 of Article IV required the states to comply with the claims of lawful owners for the return of fugitive slaves. Based in part upon these provisions, the United States Supreme Court ruled in 1857 that Dred Scott—a Negro slave—did not acquire the rights of citizenship when taken into a free state.

A Civil War was waged before the Thirteenth Amendment cleared the Constitution of a serious contradiction and established that, if men are to live as men, they must be free to do so. The Reconstruction Era further clarified the extent to which *states' rights* could be practiced without interfering with the individual's *human rights* and without denying his *civil rights*. While these rights had been defined before, they had not been extended to Negroes.

The Constitution, as supplemented by the Bill of Rights and

subsequent amendments, makes clear that the powers of the state governments as well as of the Federal government extend no further than needed for protection of the human and civil rights of the individual against encroachment by government and other individuals. Neither mentioned nor recognized are any "rights of society," society having no rights. By 1875, all questions concerning citizenship for Negroes in the United States, and their rights as individuals, were answered in the Constitution.

Solving the Problem Voluntarily

During the last quarter of the nineteenth century, the question before the people—all citizens, with inalienable rights as members of the human race—was this: How are we to live together? "In all things purely social we can be as separate as fingers, yet one as the hand in all things essential to mutual progress," answered Negro leader, Booker T. Washington in 1895. The national consensus at the close of the nineteenth century was that black and white men should live separately; but such consensus did not empower governments to legislate how men should live or where each must sit, eat, dance, learn, and otherwise lead his life.

Nevertheless, the United States

Supreme Court's separate-but-equal doctrine of 1896 had stood as law until 1954, when the Court reversed itself to the effect that henceforth men must live, sit, eat, dance, and learn in the same places. But the compulsory integration of the schools was no more required by the Constitution nor necessary for fulfillment of the human rights and civil rights of Negroes than had been the compulsory separation before 1954. Education is no more the business of the Federal government than is eating or dancing or the seating arrangement on a train or bus.

The Negro role in the civil rights movement gained impetus after the Supreme Court decision in 1954, and their main thrust was to the effect that Negroes had been deprived of their rights as a group. Scarcely anyone bothered to ask what rights inhere in groups or to stand in defense of the rights of the individual. It seems safe to say there were few individuals, if any, among the 210,000 marchers on Washington on August 28, 1963; and the net effect was a Congress and a nation made more race conscious than ever before. The resultant Civil Rights Act of 1964 elevated the dubious principles of altruism, collectivism, and racism above life, liberty, and the pursuit of happiness.

A Staggering Sense of Guilt

The brotherhood of selfless love espoused by Martin Luther King, Jr., has not left a situation of mutual respect among Negroes and whites but a nation staggered by a sense of guilt. Irresponsible leadership in the name of civil rights is conning a nation out of its incentives to productivity into sanctioning the undeserved, causing the freest people on earth to sacrifice that freedom for the compulsory equality of slaves.

Civil rights leaders and their followers stress self-sacrifice to the point that self-respect is made to seem a sin. To love and choose without discrimination displaces sound reasons among men to love or choose one person or thing above another. This strained and strange love of racist agitators provokes men to hate them more. They turn simple prejudices into acts of crazed violence — that they might passively endure and resist. They twist man's right to discriminate into an immorality, thrown at a nation as its major guilt. As virtuous victims, they demand freedom, equality, and respect for the pitiable little they have to offer, challenging the nation to redeem itself by redeeming them.

How goes the redemption? Look in the eyes of blacks and whites who are afraid to think, to judge,

to discriminate, and you will see an uncertainty embedded in hatred. Negroes, who are told they have gained the respect and gratitude of society but who have no self-esteem, are frightened by a power of redemption which they secretly know they — as individuals — have not earned.

No rational, self-responsible individual relies upon the racism that plagues the nation. He does not beg for patronage, sympathy, and smiles. Instead of asking that others grant him a living, he knows he has been born with an inalienable right to whatever life he is capable of earning, according to his own purpose, his own virtues, which others cannot give to him and cannot take away.

Student Demonstrations

It was inevitable that the youthful students of America would be drawn by their immaturity into the fight for civil rights. From the beginning of the collective movement, climaxed by the March on Washington, the racism of the nation was reflected by the young and selfless black and white youth of America.

White youths, in all sincerity, wanted to share the plight of their Negro counterpart. They had no "cause," so they made his cause their own. They evaded the real issue — that they did not know

themselves — and transformed this ignorance into a feeling of guilt for being different from the Negro. In search of virtue, they marched and shouted, "Freedom Now," clenching a Negro's hand, entering restaurants with him where they knew he would not be served, scouting the countryside singing songs of deliverance for him.

Young Negroes joined their white counterparts, believing that any happiness to be achieved on earth must be achieved collectively; they had never been allowed to forget the collective misery of their forefathers. Lacking the individuality that can only come through earned self-esteem, they were content with the motives of the group. Personal motives? None.

Among black and white youth alike, their relationship with the group was primary when it should have been secondary. They hid behind the apron of a race, a church, a university, an SNCC, a CORE; and they claimed identities according to the characteristics of such groups. They repeated to themselves what others said of them; their self-regard was the regard they thought others had for them; their self-esteem dependent upon the esteem of others; their achievements what others claimed to be achievements; their failures

what others said were failures; their place in the world where others said it was. They had no standards of their own; and so these youths were misled. Their guilt was not in being *black* or *white*, but in being nothing, in seeking virtue in the impossible, encouraging one another simply to suffer and wave flags.

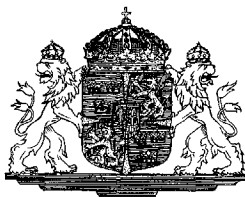
The fact is that within the context of our society, they will always be black or white; and by some persons they will be treated as such, regardless of laws, treaties, and proclamations to the contrary. But a more important truth that escaped those young persons is that they are human beings; that each has a life for which he is responsible; that this is what he holds in common with other human beings; that to live with one another in peace, each must first manage to live with himself.

Such were the "drummer boys" of America who led forth a nation, their elders following, in the revolutionary movement capped by the signing of the Civil Rights Act on July 2, 1964. This new law of the land deals with eleven basic aspects of what the nation's legislators call civil rights: voting, public accommodations, public (governmentally managed) facilities, school desegregation, the Federal Civil Rights Commission,

nondiscriminatory use of Federal funds, equal employment opportunity, voting census, a Federal Community Relations Service, civil rights court procedures, and jury trials.

A careful study of the detailed provisions of these 11 titles under the Act may reveal some minor clarifications of points already covered by the Constitution and existing legislation, as in Title 1 on Voting and Title 10 on Court Procedures. But these are hardly what the civil rights revolution was all about. For the most part, the major provisions of the new Act tend to arrogate powers to the Federal government, in the name of Civil Rights, that are none of the government's business because they have to do with regulation and control of what ought to be strictly private business relationships.

The overwhelming tendency of the Act is to deny the civil rights of producers — property owners — in favor of the wishes of those seeking something for nothing, making the Federal government the instrument of compulsion for the implementation of such injustice. Thus, the attempt to appease organized racists has invoked a condition of legislative enslavement on the entire nation — and it will take a police state to enforce this condition. ♦



SWEDEN'S GREAT SOCIETY

SAM H. HUSBANDS, JR.

SWEDEN frequently is offered as a shining example of successful socialism. A picture is drawn of the attractive, cheerful, and socially-conscious Swede living out his days in the euphoria of the welfare state; and the visitor to that country finds his cursory observations seem to confirm that appraisal.

The accuracy of that picture, however, depends on —

1. How prosperous the people are,
2. Whether Sweden's prosperity is because of, or in spite of, its degree of commitment to socialism, and
3. The cost of state intervention in material as well as human terms.

As an American banker managing a Scandinavian branch of his bank recently told me, "The

Swedes are too smart to kill the source of the wealth which makes possible their massive welfare programs. There are few nations in the world that rely more on the free enterprise system in the production end of the economy." The following figures confirm this point by indicating the extent of private ownership of production in prominent areas of industry and trade.

Not only has the productive end of the economy remained for the most part in private hands, but the Swedes have also made sure that within a framework of government guidelines, there remain some real incentives and rewards for producing.

While there are both local and national corporate tax rates, the national rate is 40 per cent and the combination will seldom reach 50 per cent. In turn, the determination of income for tax purposes

Mr. Husbands is with Dean Witter & Company in San Francisco.

shows the relatively liberal treatment the corporation receives in Sweden. Swedish tax law is especially lenient on inventory evaluation, depreciation, and certain investment reserves. Swedish tax rules allow a corporation discretion within a wide area to take large or small deductions in any one year. This discretion allows a corporation considerable latitude

in leveling out annual results in building up reserves. Though details of the three areas would be too extensive to present here, the liberality of depreciation of machinery and equipment is worth noting.⁴

In areas of capital gains and losses, the Swedes are again rela-

⁴ Martin Norr, Claes Sandels, *The Corporate Income Tax in Sweden*, 1963.

PERCENTAGE OF OWNERSHIP OF INDUSTRY

(Based on Number of Employees in 1951)¹

	<i>Private</i>	<i>Government</i>	<i>Cooperatives</i>
<i>Forest</i>	82.3	17.7	—
<i>Mining & Manufacturing</i>	92.4	6.1	1.5
Timber	96.7	2.6	0.7
Pulp & Paper	97.0	1.5	1.5
Food	83.5	7.9	8.6
Textiles	97.7	1.1	1.2
Chemicals	90.9	8.5	0.6
Electric, Gas & Water Power	31.7	61.7 ²	6.6
<i>Building</i>	71.6	27.7	0.7
<i>Wholesale Trade</i>	97.4	0.6	2.0
<i>Retail Trade</i>	88.3	1.1	10.6
<i>Transport & Communication</i>	45.7	54.3	—
Shipping	97.5	2.5	
Railways	5.5	94.5	
Bus & Tram Companies	61.4	38.5	0.1
<i>Commercial Banks</i> ³	92.6	7.4	
<i>Insurance</i>	92.8	7.2	

¹ Stockholm's Enskilda Bank, *Some Data About Sweden*, 1965.

² State 10.2 per cent, municipals 51.5 per cent.

³ Number of employees 1963.

tively liberal in their tax treatment. Stocks and bonds and other capital assets (apart from real property) are not subject to income taxes if the capital gain is taken after five years — real property is nontaxable if held for ten years.

A Lot of Welfarism

Does this relatively liberal policy toward corporate enterprise and capital gain mean that Sweden is, in fact, the world's best example of the free enterprise state? Hardly — Sweden, like almost all of the Western nations, embraces a mixture of the free market and considerable state direction. In Sweden, however, the line seems rather clearly drawn between the relative freedom of the productive end, and the massive interference of the government in the distributive or consumptive end of the economy.

Social security, compulsory health insurance, a recently-enacted supplementary pension to the basic old-age pension, family and child welfare programs, unemployment insurance programs, direct rent subsidies, and government housing loans are well known institutions to the Swede (as they now are to Americans). Rent control was enacted in 1942 with rents on housing built as of that date fixed at the 1942 level. Rents on new

housing are set to supposedly reflect the cost of construction. But rent control has affected the housing supply to the extent that some 400,000 persons are on the waiting list for housing in Sweden — 120,000 in Stockholm alone. Admittedly, were rents allowed to stabilize at free market equilibrium, many of those now applying for housing at below market rates would no longer be applicants. But the free market advocate would maintain with much empirical evidence that, to the extent government interferes in any market, including the housing market, the consumer is denied the standard of living and personal freedom he would otherwise achieve.

Welfare Costs to a Typical Swedish Wage Earner

What is the actual cost of socialist schemes to the Swedish wage earner?

It is, of course, impossible to arrive at an actual monetary price. Seldom are government welfare programs funded from taxes attributed to a particular program. General tax revenues invariably are drawn upon for the major portion of the cost of a "social benefit." At the least, this blurs the price to the individual of the government services. However, reading between the lines of *Some Data About Sweden*, one discovers

that a typical Swedish household has earnings of about \$3,000 a year, of which \$1,050 goes for taxes. In return for such taxes a typical household might anticipate some \$150 worth of free education, another \$150 worth of free medical care, \$150 worth of national defense, and an old-age pension promise of about that same \$150 current value. Supplemental pension benefits recently have been promised, but these will call for higher tax rates, too, before they can be realized. These four major governmental services thus account for approximately \$600 of the \$1,050 paid in taxes. What of the remaining \$450? There is a family allowance of about \$140 a year for each child under 16. Unemployment insurance, housing loans and rebates, and miscellaneous costs of government should account for the remainder.

It would seem obvious that the wider the dispersal of tax-paid services among the entire population, the wider the tax base must be. Lawrence Fertig says that "in the United States 80 per cent of tax revenue is derived from taxable income up to \$6,000. If the government actually confiscated all income remaining to taxpayers whose annual income was \$50,000 a year or more, the Treasury would collect about \$173,000,000, hardly enough to run the Federal

government for a few hours."⁵ The principle applies to Sweden as well. It is obvious that for practical purposes capital accumulation must occur in Sweden as it must in the United States, through capital gains. Materially, any citizen of an ever-growing socialist state finds he must work harder and harder to keep up with the tax burden treadmill, which in turn progressively binds him to the state. The loss of spiritual values resulting from ever-present government can only be measured in the hearts and minds of individual citizens.

Must America Follow Sweden?

The socialist would defend the Swedish pattern, and probably treat its welfare programs as only a step in the right direction. Though many Western world socialists have dropped nationalization of industry from their design for utopia, they all advocate continually increasing government intrusion into service areas and equality of material possessions through redistribution of income. Their defense is invariably that their policies provide for "the people's security" (and one might add, "whether they like it or not"). However, the pattern of

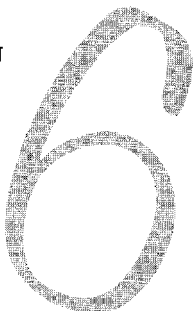
⁵ Lawrence Fertig, *Prosperity Through Freedom*, Henry Regnery & Co., 1961.

life which one sees emerge, while perhaps on a higher material scale, is merely another one of the authoritarian social structures which evolved from the revolutionary doctrines of Rousseau, Hegel, Babeuf, and Marx.

The American can no longer smugly claim this country as the last defender of the free market

and individualism, when it is obvious that almost every device for effecting the eventual total welfare state in Sweden is now a feature of our own system of government. And both nations prosper relative to their more socialistic neighbors only to the extent that the social planners pragmatically allow the free market to function. ♦

JOEL DEAN



Misconceptions about Consumer Welfare

THE AMERICAN CONSUMER is, in the Great Society, the forgotten man. Antipoverty programs, the closed shop, foreign aid, minimum wage hikes benefit him little and are ultimately at his expense.

The consumer cannot count on the unselfish munificence of the government to look after his interests. Instead, he had best place

himself in the hands of the self-serving competitor. The forces of competition alone can be counted on to compel suppliers, in an enterprise system geared to self-interest, to achieve results which will advance the welfare of the consumer.

The vigor of the competitive process is, therefore, our main assurance of social benefit and consumer welfare. Protecting and strengthening the competitive process (which is quite different from protecting the individual compet-

Mr. Dean is President of Joel Dean Associates, a firm of economic and management consultants, and is Professor of Business Economics in the Graduate Faculties of Political Science and the Graduate School of Business of Columbia University.

itor) is the white hope of the consumer.

The main peril to competition is not bigness, not concentration, not conglomerates (variegated product lines), not mergers, not even price conspiracies. Instead, the main peril is prejudice: distrust of the competitive system in its modern guise. The roots of this prejudice are basic misunderstandings concerning the economics of consumer welfare. Six economic fallacies are particularly important:

1. That competition is declining and is now an untrustworthy control device.
2. That competition becomes "cut-throat" unless curbed by government.
3. That profits are at the expense of the consumer.
4. That advertising makes consumers captive and is economic waste.
5. That the best way to take care of the incompetent is to make competition soft.
6. That job security is best attained by slowing down economic progress.

Let's look briefly at each of these misconceptions. Although unobtrusive and eminently respectable, these economic misunderstandings are pervasive and

perilous. They are working to undermine the protection that the consumer gets from vigorous competition.

1. Competition Is Declining and Is Now an Untrustworthy Control Device

Looking back nostalgically at the Tom Sawyer economy, we get a glowing glimpse of a structure of competition quite different from today's. We see small, independent, local business firms by the thousands: the local grist mill, lumber mill, brewery, and carriage shop. What we forget is that each of these glorified competitors had a tight little locational monopoly sheltered by miserable transportation. What we often fail to see in our modern economy is the competition that counts. This competition is outside the purview of the conventional antitrust case. It creeps in on little cat feet, unobtrusively at first. It is not quite respectable at the start (for example, the discount houses and early supermarkets). It often works its beneficial miracles below the surface of consumer consciousness through the vehicle of "value-analysis" by industrial purchasers (such as the revolution in welding, die casting, and oxygen furnaces). Its fiercest fighting front is often the research laboratory. This is the competi-

tion that counts because it produces decisive cost savings, usually as a result of revolutionary new technology or spectacular rearrangement of functions, or dramatic displacement by substitutes. Generally speaking, it is outside the purview of the conventional antitrust case and the stereotyped concentration indices.

It is frequently an invader from outer space, that is, from a different industry or a foreign nation.

This is the competition that keeps the American economy among the most competitive in the world and that assures the American consumer a high and rising standard of living.

2. Competition Becomes "Cut-Throat" Unless Curbed by Government

One heritage of the great depression is a generalized fear of excessive competition. This fear leads on to the belief that the government must restrain these excesses by legislating minimum profit margins, for example, state "fair trade" statutes and laws against "selling below cost." This misconception has had an important role in shaping public policy, which is opposed to competition in several sectors of our economy, notably agriculture and transportation. Thus, despite formal professions of faith, the evidence is that we really don't believe in an

enterprise economy—at least in these sectors. The precedent and the preconception that lie behind it are perilous for other sectors of our economy.

"Cut-throat" competition is a bogeyman whose influence is powerful but unwarranted. It is unwarranted because the degenerative tendency is a myth, probably. Even if true, it's hard to see how competition can really be excessively vigorous from the viewpoint of the national interest. The misconception arises partly from confusing injury to an individual competitor with injury to the competitive process. Competition, if it is effectively to serve the consumer, must injure individual rivals and even annihilate some. And the notion that this elimination of the unfit will inevitably reduce surviving competitors to a sole monopolist is a theoretical extrapolation, unsupported by experience and applicable in only a few industries where scale economies are overwhelming relative to the small size of the market.

3. Profits Are at the Expense of the Consumer

It is almost standard operating practice for people who profess concern for consumer welfare to view corporate profits as being at the expense of the consumer and opposed to his welfare. This anti-

profit bias infuses the viewpoints of many officials in big government and particularly of those in regulatory commissions.

We should all recognize that profits are usually an index of success in serving the public. In a competitive industry, most of the profits go to the more efficient suppliers, not to the marginal supplier whose costly output is nonetheless required to satisfy the full demand at the prevailing market price. The consumer gets a bargain in the few profit pennies per dollar he appears to pay. He pays less than appears for two reasons. First, because losses that are not formally book-kept are not offset against reported corporate profits. Second, because equity capital, which is costly, is treated in accounting as a free good. The consumer gets a bargain, not only because corporate profits are partly illusory, but because the hope of profits and fear of losses (what makes the mare go) is the cheapest known form of incentive and remuneration.

4. Advertising Makes Consumers Captive and Is Economic Waste

Appalled by the huge sums spent on the advertising and annoyed by being a part of a captive audience, grieved by the gullibility of all consumers except themselves, and aroused by expo-

tures of the hidden persuaders, many well-meaning reformers believe that advertising disfranchises the consumer and wastefully cancels claim against outrageous counterclaim.

Looking at the matter from the standpoint of the national interest in consumer welfare, we should recognize that advertising economizes leisure and is a cheap way for consumers to pre-shop. The most that advertising can do is to get a person to try the product; and his own experience with it, plus reports from his acquaintances and the synthetic experience of consumer research services, develops immunizing skepticism.

We should also recognize that advertising opens many more doors to new and beneficial competition than it closes. The best weapon against the hidden persuader of one manufacturer's advertising is that of his competitor, particularly the countervailing power of distributor brands which erode the consumer franchise of a manufacturer's brand.

5. The Best Way to Take Care of the Incompetent Is To Make Competition Soft

Much anticompetitive legislation and administrative and judicial case law is rooted in the thoroughly American and highly laudable

desire to take care of the incompetent. The question is not whether society will look after the unfortunate. In this our society is doing a good job. The danger, instead, is that we will take care of them in the wrong way, that is, in a way that will deter incentives for self-improvement and will block the automatic adjustments of a competitive economy and prevent its serving consumers best. Charitable treatment of the less fortunate will be more efficient and less damaging to the growth and strength of our economy if it is entirely divorced from trying to protect the individual competitor against the consequences of his own non-competitiveness.

6. Job Security Is Best Attained by Slowing Down Economic Progress

The quest for job security is universal. Each of us is very much alive to any peril to our job. Most of us would like to feel that a beneficent government will look after this vital matter and make

sure that economic change will not imperil our job.

Unfortunately, the competitive process has few champions and no lobby. The job security of the individual citizen can best be achieved, not by placing road-blocks in the path of technological progress, but instead by removing them. Society is better off to help the individual solve his problem of adapting to economic progress by supplying information, incentives, and opportunities for re-education, rather than by trying to slow down economic progress.

Economic misunderstandings like these six are causing a widespread, almost unconscious prejudice against competition. There is disconcerting reluctance to rely upon competition for the impersonal force which compels individual competitors, each geared to self-interest and trying to increase his own market power, to unconsciously serve society. ♦

Reprints available, 2 cents each.

IDEAS ON LIBERTY

The Crafty Communists

RED CHINA has investments in Hong Kong which exceed that of American firms. These investments are in profit-making going concerns so as to earn hard currencies.

— Item from the souvenir book supplied guests of the Peninsula Hotel in Hong Kong.



STATE ECONOMIC PLANNING:

Tragedy OR *Futility*

WILLIAM HENRY CHAMBERLIN

DESPITE ITS PRESTIGE in some circles, there is convincing evidence to show that state economic planning regularly ends either in tragedy or in futility. Tragedy is foreshadowed when the planning is compulsive, under a system where the government concentrates all political and economic power in its own hands. Futility is the more likely outcome when the planning has no teeth in it and comes down to a mere exercise in exhortation or a statistical analysis of what would be desirable if a long string of doubtful conditions should be realized.

Among the innumerable victims of Josef Stalin's paranoid tyranny must be reckoned several million Russian peasants who perished, from maltreatment or starvation, because the Soviet dictator de-

cided to force the abandonment of small farming in favor of large so-called collective farms, under close state and Communist Party supervision. One of the first consequences of this policy, which started in 1929, was a barbarous measure euphemistically described as "the liquidation of the kulaks as a class." The kulaks, some 5 per cent of the Soviet peasantry, were a little better off than their neighbors, although they were certainly not prosperous by United States or West European standards.

As they had more to lose under the collective farm system, they were naturally out of sympathy with it. So the government decided to get rid of them by wholesale expropriation and consignment to slave labor in northern timber camps and other state enterprises where living conditions were so bad that a high death rate was unavoidable. All over the

Mr. Chamberlin was Moscow correspondent for the *Christian Science Monitor* from 1922 to 1934. He is a skilled observer and reporter of economic and political conditions at home and abroad.

Soviet Union the so-called kulaks (and the term was sufficiently elastic to apply to anyone who was outspokenly critical of collective farming) were rounded up, men, women, and children, torn from the farms which they and their ancestors had cultivated for generations, and packed in crowded freight cars for deportation to forced labor.

This was bad enough; but even worse was to come. During the winter of 1932-33 reports came into Moscow from many parts of the country, including the normally most fertile regions, the Ukraine and the North Caucasus, of hunger deteriorating into outright famine. Life was hard enough in Moscow, still harder in provincial towns; but there at least the people got a regular bread ration. The Soviet authorities displayed extreme reluctance to permit foreign journalists to go into the country districts and see conditions for themselves. But in the autumn of 1933, after the victims of the famine had been buried and a new favorable harvest improved the atmosphere, permits were granted.

Three Communities Sampled

Traveling with my wife, whose Russian is more fluent and idiomatic than mine, I picked at random three districts, separated by

hundreds of miles from each other, and came on grisly evidence of one of the biggest mass murders in history. The first district was in the normally fertile and productive Kuban Valley, near the town of Kropotkin. One of the first noticeable things was the complete absence of the dogs, formerly numerous and loud barkers, in the homesteads. "All died or were killed and eaten during the famine," was the explanation. In the first house which we entered seven members of the family had died of hunger. Three had survived.

The president of the local Soviet in Kazanskaya, one of the largest villages we visited, told us that 850 people had died out of a population of 8,000. He also showed us a set of local mortality statistics indicating how the curve of death had mounted steeply as the last reserves of grain were consumed toward spring and the supply of dogs, cats, and weeds that were eaten as food substitutes began to run short. So there had been 21 deaths in January, 34 in February, 79 in March, and 155 in April.

From the Kuban we went to Poltava, a town in the Ukraine which had acquired a very bad reputation in Moscow; there were stories of carts that moved through the streets in the early

morning to pick up the dead bodies. The authorities were nervous and defensive and gave us as much official chaperonage as possible. But as soon as we went from the town into the surrounding villages the peasants told us precisely the same stories as in the North Caucasus. Indeed, the possibility of lying about the tragic famine diminished steadily as one got away from Moscow and into the regions where the starvation had occurred. Here again there was a 10 per cent mortality figure, as against a normal rate of 2.5 per cent.

And I still remember the testimony of a fourteen-year-old girl, huddled on the bench which ran around the wall of the house. Had she a father? Yes, he was at work in the fields. A mother? No, her mother and four brothers and sisters had died of hunger. And her father was still hanging on to his own little plot of land, unwilling to accept the new servitude of the collective farm, even after most of his family had perished of starvation.

Still more terrible was the impression from the village of Cherkass, in the Belaya Tserkov district, farther to the West in the Ukraine. Here, with grim unconscious irony, one could see a blank space where a zealous communist had removed the ikon of Christ,

but left the crown of thorns. And the president of the local Soviet, a young communist named Fishenko, told us that over 600 of the village's 2,000 inhabitants had perished. Of six children born during that grim year, one survived.

The Concealed Horror of Wholesale Starvation

In contrast to the situation in the earlier big Soviet famine of 1921-22, there was no doubt in 1932-33 about the responsibility of the Soviet government for the wholesale starvation, with its grisly accompaniment of bloated stomachs, cracking bones, and other aspects of death from hunger. The famine of 1921-22 was the result of a severe drought and of years of civil war. And the Soviet authorities admitted the need and invited foreign aid; Herbert Hoover's American Relief Administration undoubtedly saved millions of lives and various religious and humanitarian organizations, with their smaller resources, also made a contribution to relieving the disaster.

In 1932-33, on the other hand, the Soviet government did everything in its power to conceal that there was any starvation at all. With amazing mendacity its officials assured foreign visitors to Moscow that there was no famine.

No outside relief effort was permitted. Yet the 10 per cent minimum death rate which I found in the villages which I visited (30 per cent in Cherkass), if carried over to a famine-stricken area inhabited by some 50 million people, warrants the conclusion that at least four million people, over and above the number who would have died from natural causes, perished in the concealed famine of 1932-33. To this must be added the number of "kulaks" who did not survive their "liquidation" earlier. Indeed, Stalin himself, in a moment of truth, gave a still higher figure of casualties in conversation with Winston Churchill in 1942. Here is the relevant excerpt from the fourth volume of Winston Churchill's work, *The Second World War*, pp. 498, 499:

"Tell me,' I asked, 'have the stresses of this war been as bad to you personally as carrying through the policy of the collective farms?'

"This subject immediately aroused the Marshal.

"Oh, no,' he said, 'the collective farm policy was a terrible struggle.'

"I thought you would have found it bad,' said I, 'because you were not dealing with a few score thousands of aristocrats or big landowners, but with millions of small men.'

"Ten millions,' he said, holding up his hands. 'It was fearful. Four years it lasted.' . . .

"I record as they come back to me these memories, and the strong impression I sustained at the moment of millions of men and women being blotted out or displaced forever."

So there is the testimony of Stalin himself for the proposition that the war which he waged against a considerable section of his own people to enforce collective farming was more bitter and terrible than the struggle with Hitler's Germany in the second World War. Stalin's excuse for his cruelty, that collective farming was a higher form of agriculture, is completely phony. Today, almost fifty years after the establishment of the Soviet regime, the Soviet Union is only saved from hunger, if not outright starvation, by repeated big purchases of grain from the individualist farmers of the United States, Canada, and Australia.

Similar Results from Red China's Agrarian Reform Measures

There have been equally appalling results, in terms of human death and sufferings, from the attempts of the communist rulers of China to impose extreme forms of communism on the peasants of that much suffering land. Again,

even greater suffering has only been averted because the Chinese Reds have diverted a considerable portion of their scarce foreign currency to purchases of wheat from capitalist countries.

State economic planning has its farcical as well as its tragic sides. For a long time the merit of a Soviet plant was evaluated by its quantity output, with no regard for quality or salability. Khrushchev himself, before his downfall, reported one result of this method. Plants manufacturing chandeliers made them so heavy that they broke down the ceilings to which they were attached.

This is why one of the most important news stories coming out of the Soviet Union and its satellite communist-ruled countries is the fumbling, bumbling effort to achieve, within a general communist framework of political dictatorship and economic collectivism, some of the benefits of a market pricing system. These experiments are certain to fall short of their goals. For the dynamo of the free economy is the element of private ownership and the chain reaction of motivations and incentives which it releases. No such chain reaction can take place under a system where ultimate authority rests in the hands of anonymous groups of faceless bureaucrats.

Government Planning in Britain

What of the possibilities of state economic planning in countries where the peoples enjoy political and civil liberties, where most of the economy is in private hands? In such cases the objection is not that planning may lead to the ghastly horrors of the Soviet Union and Red China. It is that the whole attempt to plan an economy that is not completely under government control is certain to turn out as a pretty futile experiment in patchy guesswork. Take the recently published British National Plan, a document of 492 pages with impressive tables and charts.

This document assumes that, by 1970, British output will grow by 25 per cent, the take-off point being the beginning of 1965, and the average projected rate of growth per annum 3.8 per cent. Exports are supposed to rise by $5\frac{1}{4}$ per cent and imports by 4 per cent, the former rising and the latter falling from previous levels so as to take care of the embarrassing deficit in the balance of international payments which has been a root cause of the periodic spasms of international distrust in the stability of the pound sterling in foreign exchange. There are similar assumptions about wages, incomes and productivity, and supply of labor.

Unpredictable Possibilities

What planners overlook is that economic trends are determined by a multitude of factors which the most technically competent forecaster cannot reasonably hope to anticipate. A "breakthrough" new invention, for instance, may divert investment and labor into some entirely new direction. The course of production and international trade is dependent on the feelings and reactions of enormous numbers of individuals, which defy any attempt to plot accurately on a neat diagram.

Who knows, for instance, how the bankers of Zürich ("gnomes" in the derogatory language of a British Labor Minister) and of other international financial centers may react to some British financial or legislative measure, with the result that the pound may be subjected to new pressure? Who can be sure that the habitually independent British trade unions will abide by government pleas to keep wage increases within a range of 3 to 4 per cent or that, even if the unions are compliant, they will not be bypassed by wild-cat "unofficial" strikes? Should developments in this field turn out unfavorably, all the calculations of the Plan would be out of the window.

And where is the proof that imports, which have been rising

at the rate of 5 per cent for the last ten years, will shrink to 4 per cent while exports, which have been going up 3 per cent a year during the previous decade, will go up by $5\frac{1}{4}$ per cent? The trends in foreign trade depend on factors outside the control of the planners: whether British goods will meet the competitive requirements of foreign customers, for instance. In the same way, the rising volume of imports is partly accounted for by the failure of British manufacturers, in some cases, to produce goods of the quality and desirability of those manufactured abroad. Can the planners guarantee that this situation will change? Of course, imports can be throttled by quotas and other forms of direct controls. But such procedure is apt to be a boomerang, inviting reprisals and leading to a decrease in the volume of foreign trade.

Maldistribution of Capital

Another serious defect of state planning, if it is taken seriously, is its tendency to divert long-term capital investment to the wrong places.

During the last decade, for instance, the figure of 200 million tons of output annually proved too high for coal. On the other hand, there was a big unforeseen demand for more gas. Had a "Na-

tional Plan" been in effect, the result would most probably have been overinvestment in coal, underinvestment in gas. Writing in the weekly, *The Spectator*, a British commentator, Mr. John Brunner, asks some pointed questions and cuts the significance of the National Plan, hailed by some socialist enthusiasts as a panacea for all Britain's ills, down to size as follows:

"Is all this figuring supposed to enumerate what we *can* achieve by 1970, or what we *will* achieve, or what we *should* achieve? At different moments the Plan appears to be subscribing to all three interpretations, but the three are really quite incompatible... The National Plan is therefore in essence neither a serious measure of potential nor a genuine forecast of future developments but a political manifesto, a blueprint of what the government feels ought to be done. . . .

"Have we really reached such a pass that we are no longer capable of taking any action in this country without reference to a more or less illusory picture of the future? The craving for certainty is no doubt something deeply human . . . and the popular papers have long ago learned to exploit it with their horoscopes. Is it really necessary for the government to indulge us further and

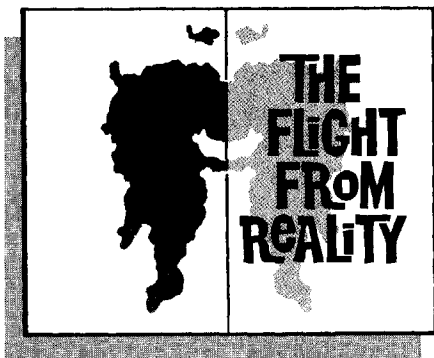
do so moreover in a thoroughly ambiguous manner?"

The Ironical Twist

It is indeed ironical that, just when the communist governments of the Soviet Union and the East European states are groping around, so far without much success, in an effort to correct the errors and inadequacies of their planned economies by injecting some artificial imitations of the free market and pricing system (but without the vital dynamo of private ownership) Western democratic countries such as Great Britain and France are succumbing to the delusive opiate of planning. It would be good if more attention were paid to this grave admonition of Adam Smith:

The statesman who should attempt to direct private people in what manner they ought to employ their capitals would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted to no council and senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

Compulsive planning, as Russia and China show, leads to tragedy; permissive central planning, to futility. ♦



16.

From Ideology to Mythology I

CLARENCE B. CARSON

THE STUDY of the history of ideas has produced some interesting results. Among these is the conclusion that at any given time in a society there is apt to be a prevailing set of ideas. These are not, of course, readily apparent to the superficial observer, not even to the superficial historian. Superficially, it is the disagreements among men, their debates, the points over which they contend that catch the attention. But beneath these there are often broad and fundamental areas of agreement in terms of which discourse takes place and disputed questions are settled, or compromises are worked out.

These broad areas of agreement

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

which constitute the prevailing ideas have been called by a variety of names: *weltanschauung* (world outlook), frame of reference, basic premises, ethos, underlying philosophy, and so on. Historians can often discern that this ethos (or whatever name it should be called) is reflected and articulated in the arts, literature, politics, religion, morals, and institutions of a people. Periods in history have now quite often been given names which are meant to signify the prevailing ethos at that time: the Age of the Renaissance, the Age of the Baroque, the Age of the Enlightenment, and so on.

Such classifications should be accepted, however, with some reservations. The extent of agreement, even upon fundamental premises, can be easily exaggerated. Neat

classifications appeal more to those who have only a passing acquaintance with an "Age" than those who have studied it deeply. Dissent from the prevailing ethos can be uncovered at almost any point in history. There is a tendency, too, to exaggerate the extent of the change from one of these periods to the other. There is a continuity in the basic ideas and beliefs of Western Civilization which cuts across the periods which historians define. Also, there is a relativism implied in many of these accounts of changing world outlooks which should be entertained cautiously. Prevailing ideas do change, to greater or lesser extent, from epoch to epoch, but this does not mean that one set of ideas is as good as another or that truth is relative to the premises of a given age. The results of logical deductions are relative to the premises from which they are deduced. Their truth content, however, depends upon the validity of the premises, that is, upon their conformity to reality.

The Age of Meliorism

With these reservations in mind, let it be asserted again that at a given time in society there is usually a prevailing ethos. This work has to do with such an ethos. Now, according to the unconventional wisdom of our age—that is, accord-

ing to the uninhibited imaginations of a goodly number of would-be seers—we live in an Age of Transition. Indeed, it is often held that we have been in the slough of this transition for some time. At best, such a nonclassifying classification is a convenient dodge. It certainly avoids coming to terms with the ethos of our time, with describing it, with classifying it, and with holding it up for examination. Moreover, it is not a classification that can be validated with evidence. True, there can be assembled evidence that changes are occurring. But such evidence exists for all times for which there is any evidence. In short, to call an epoch an age of transition does not distinguish it, or classify it, from any other age.

We may indeed hope that much of the contemporary ethos may be transitory; it has certainly focused upon the ephemeral. But when the presently prevailing ethos has passed from the scene, its passing will not mark the end of an Age of Transition. For this ethos has a distinctive character. Moreover, it has been with us for a sufficient time to enable us to classify it with confidence. Ours is an AGE OF MELIORISM. The prevailing ethos supports continuous reform with the ostensible aim of improvement.

For seventy or eighty years this ethos has been building. The men

whose thought is reckoned to be so influential upon our times have been meliorists: Edward Bellamy, Lester Frank Ward, John Dewey, William James, Thorstein Veblen, Charles A. Beard, Louis D. Brandeis, Woodrow Wilson, Walter Lippmann, Herbert Croly, and so on. The words which connote approval in our society are quite often those conducive to the reform effort: e. g., innovative, inventive, imaginative, progressive, creative, cooperative, flexible, pragmatic, open-minded, and involved. The arts, literature, religion, social thought, and education are permeated with the innovative and reformist spirit. There exists a bountiful literature describing the need for amelioration and containing proposals for collective effort to bring it about.

Ideological Origins

This work, thus far, has been an attempt to describe the historical development of this ethos and its propagation in American society. The story has been traced from the breakdown of philosophy to the birth of ideology to utopianism through the elaboration of a new conception of reality and creativity to some of the ways that meliorism (or socialism) was made attractive to Americans. In the final analysis, Americans generally began to accept the programs and policies of

melioristic reform as they began to view things from a new ethos, a new outlook, a new frame of reference, or from a different set of fundamental premises. Men were drawn into this framework in a variety of ways: by being told that it was democratic, that it was an extension of that to which they were already devoted; by an appeal to concern for others; by having the programs of education for the young instrumented to this new way of looking at things which, when accepted, constituted a new frame of reference.

The intellectual sources of this melioristic frame of reference are in various ideologies. Nineteenth century thought has been categorized, at least once, by the phrase, the Age of Ideology. Certainly, ideologies abounded in the nineteenth century. All thought tended toward the formation of ideologies. This tendency was mirrored in the language which came to be used to describe the products of thought. The attachment of the "ism" suffix indicates the ideological tendency of the system of ideas to which it refers. This formation of words became epidemic in the first half of the nineteenth century. As one history book points out, "So far as is known the word 'liberalism' first appeared in the English language in 1819, 'radicalism' in 1820, 'socialism' in 1832, 'conservatism' in

1835. The 1830's first saw 'individualism,' 'constitutionalism,' 'humanitarianism,' and 'monarchism.' 'Nationalism' and 'communism' date from the 1840's. Not until the 1850's did the English-speaking world use the word 'capitalism' . . ."¹ Many others were to follow: "romanticism," "Marxism," "Darwinism," "scientism," and so on. Some of these concepts with the suffix "ism" were not ideologies, properly speaking, but the tendency to attach the "ism" to all concepts and beliefs reflects the ideological propensities of thinkers.

Tangled in Abstractions

A great variety of ideologies developed in the wake of the breakdown of philosophy in the nineteenth century, and some even began to appear earlier. Rousseau propounded a democratist ideology, Bentham and the utilitarians an economicist ideology, Comte a sociologist (or socialist) ideology, Hegel a statist ideology, Marx a materialistic and historicist ideology, Mill an ideology of liberty, Spencer an evolutionist ideology, George a neo-physiocratic ideology, and so on.

Technically, an ideology is a system or complex of ideas which pur-

ports to comprehend reality. Actually, modern ideologies have usually been both more limited than this would suggest and much more zealously attached to by their proponents. The makers of ideologies have usually operated in some such fashion as the following. They quest for and think they have found the philosopher's stone, a magic key that will unlock the mysteries of the universe. It is some abstraction from the whole of reality. For Rousseau it was the general will, for Comte the stages of the development of the mind, for Hegel the conflict of ideas, for Marx the class struggle, for Spencer it was the evolutionary process, for Mill something called liberty, for George the unearned increment on land, for Bentham social utility, and so on. With the philosopher's stone in hand, the ideologue proceeds to spin out — to reason abstractly — an account of how things got the way they are, what is wrong with the way things are, and what is to be done about them, if anything.

The ideological version of reality is at considerable variance with existent reality. This is understandable, for the ideologue has not only proceeded by reducing it to abstractions — which are always less than and different from the reality to which they refer — but also hung all his abstractions upon

¹ R. R. Palmer with Joel Colton, *A History of the Modern World* (New York: Alfred A. Knopf, 1958, 2nd edition), p. 431.

some central abstractions. If he concludes, as he seems invariably to do, that things should be brought into accord with his ideological version of them, he becomes a reformer. Indeed, all that does not accord with his version is irrational (and those who oppose it, anti-intellectual), for he has reached his conclusions logically, that is, by abstract reason. It is as if an inventor should construct an automaton on the basis of his analysis of actual men and then proclaim that all men should be like his mechanical figure. Utopias are just such parodies of the possibilities of reality, and are no more desirable than men would be if turned into mechanical contraptions.

The ideologue tends to fanaticism. Whatever it is that he thinks will set things aright—that is, bring them into accord with his mental picture of them—becomes for him a fixed idea. This fixed idea may be democracy, equality, the triumph of the proletariat, the coming of the kingdom, the single tax, the realization of an idea for society, or whatever his panacea happens to be. Come the proletarian revolution, one will say, and the good society will be ushered in. Employ creatively his abstraction, the “state,” another will hold, and a great and productive social unity will emerge. Extend democratic participation into every area of

life, and life will be glorious. Abolish property, abolish government, single tax the land, redistribute the wealth, maintain racial solidarity, organize interest groups, form a world government, develop an all embracing commitment to the nation, use government to make men free, and so on through the almost endless number of enthusiasms which have animated those under the sway of some ideology or other. The totalitarianisms they create when they try to put these ideas into effect stem from the total commitment to a fixed idea, an abstraction, in the first place.

Forgotten Influences

Meliorism has drawn such intellectual substance as it has had in America from these nineteenth century ideas. It drew sustenance from democratism, from egalitarianism, from nationalism, from utopian socialism, from Darwinism, from Marxism, and from statism. But the attempt to reconstruct society has not usually been advanced by the avowal of an explicit ideology. After the early years of the twentieth century, American intellectuals began to avoid ideological labels for the most part, even as more and more of them were influenced by ideas drawn from ideologies. Even those who thought of themselves as so-

cialists became less and less definitely aligned with an explicit socialist ideology. There has been considerable talk lately of an end to ideology; a book has been written on that theme. And yet, the pressure toward melioristic reform continues to mount, and the arguments for reform and the direction that it takes is still drawn from ideology.

In general, American reformers, those who have gone by the name of "liberal" for a good many years now, have no consistently explicit ideology. Certainly, the generality of Americans who have come to expect and favor reforms are unaware of holding any ideology. What has happened is that many of the ideological assumptions that propel us toward melioristic reform have become a part of the mental baggage of most people. They have taken on a frame of reference, a way of looking at things, which makes increasing governmental activity seem natural to them.

Myths and Images

How did this come about? In the main, ideology was subsumed into mythology. People pick up the ideology through the myths which they have come to accept. A mythology is a body of myths or legends which purports to account for the way things are. In traditional

usage a mythology is a kind of sacred history for a pagan religion. It contains the stories of the doings of the deities, and is a means of inculcating religious teachings. In the common parlance, a myth is a commonly believed view of something that is not true to fact, that will not stand up under careful scrutiny. However, some contemporary scholars use the word in a much more neutral and descriptive manner. The following definition tells what anthropologists are apt to mean when they refer to myths:

Myths are the instruments by which we continually struggle to make our experience intelligible to ourselves. A myth is a large, controlling image that gives philosophical meaning to the facts of ordinary life; that is, which has organizing value for experience. A mythology is a more or less articulated body of such images, a pantheon. . . . This is not to say that sound myths of general application necessarily support religions; rather that they perform the historical functions of religion—they unify experience in a way that is satisfactory to the whole culture and to the whole personality.²

Another writer, thinking along the same lines, defines mythology in this way:

² Mark Schorer, "The Necessity of Myth," *Myth and Mythmaking*, Henry A. Murray, ed. (New York: George Braziller, 1960), p. 355.

Briefly stated, what I have in mind are first, the images (imagined scenes or objects) and *imagents* (imagined actions or events) underlying, sustaining, and activating some conceptually represented, developmental philosophy of life, or ideology, individual and social, and second, more particularly, a large assemblage of narratives in prose or poetry, each illustrative of a better or worse course of action, a better or worse state of being, or a better or worse mode of becoming, for an individual, for a society, or for the world at large.³

Psychological Justifications

It is symptomatic of the contemporary state of mind that elaborate and serious studies of mythology should be made, tricked out in the paraphernalia of scholarship. It is one more indicator of the loss of confidence in our culture, for to many such intellectuals all beliefs are inculcated by myths, and all myths stand more or less equal in their sight. The test of an adequate mythology, one gathers, is the extent to which it is psychologically satisfying. Note, too, that such studies tend to justify myths, just as William James justified religion, on psychological grounds. Their truth or falsity is not to be objectively de-

termined; they are useful and appropriate, in general, if they satisfy the individuals in a given society.

Even so, it is these latter usages of "mythology" to which I refer when I say that ideology has been subsumed in mythology. There are some differences, however. It is assumed, in the above, that the stories and legends by which myths were purveyed were imaginary. This is not the case, at least generally, with the twentieth century mythology which propels us toward ameliorative reform. The stories and legends are quite often as accurate factually as modern research can make them. At any rate, the details are factual, or are supposed to be. Their mythical character is most profoundly to be found in the assumptions which are provided from ideology.

This modern mythology, the mythology of meliorism, is purveyed as history. That is, it is what people understand to have happened in the past, though it is most revelant to what is now happening and the trends presently at work. This does not mean that it is only something taught in the schools from history books. On the contrary, it has been purveyed in popular nonfiction, in imaginative literature, in newspapers and magazines. The mythology is evoked in political speeches, in

³ Henry A. Murray, "The Possible Nature of a 'Mythology' to Come," in *Ibid.*, p. 300.

sermons, in newscasts, in lectures, and in all of the ways that people communicate with one another. That is to say, it is a part of the way people see, interpret, and understand (or misunderstand) what is going on.

A Century's Distortion

The basic mythology concerns American history from about the time of the Civil War to the present. The myths can be found in almost any textbook on the subject. The following is a bareboned summary, hopefully not a parody, of some of the central myths found in such accounts. America was plunged into crisis in the latter part of the nineteenth century. This crisis portended catastrophe if something were not done. The signs of the crisis were all around: industrial depressions, increasing tenant farming, the growth of slums and tenements, periods of unemployment, labor strife, falling industrial wages, falling agricultural prices, the decline of craftsmanship, and generally worsening conditions. The sources of the crisis, according to the mythology, were to be found in profound underlying changes that were taking place. These changes are evoked by such words as industrialization, mechanization, urbanization, and, perhaps, proletarianization. Fundamentally, rapid

changes in technology, and the manner of its utilization, were producing vast maladjustments in society.

These changes called for fundamental alterations in attitudes, in social institutions, and in the patterns of behavior of a people. Instead of this having taken place, however, older American patterns had been extended and had ossified. Individualism had become rugged individualism, economic liberty become license to plunder the resources of America for private aggrandizement, the government of the people an instrument for advancing the fortunes of a nascent plutocracy. Vernon Louis Parrington, no mean mythmaker himself, describes the development this way:

The war . . . had opened to capitalism its first clear view of the Promised Land. The bankers had come into control of the liquid wealth of the nation, and the industrialists had learned to use the machine for production; the time was ripe for exploitation on a scale undreamed-of a generation before. . . .

It was an abundant harvest of those freedoms that America had long been struggling to achieve, and it was making ready ground for later harvests that would be less to its liking. Freedom had become individualism, and individualism had become the inalienable right to pre-empt, to exploit, to squander. . . .

In such fashion the excellent ideal of progress that issued from the social enthusiasms of the Enlightenment was taken in charge by the Gilded Age and transformed into a handmaid of capitalism. Its duties were narrowed to the single end of serving profits and its accomplishments came to be exactly measured by bank clearings. . . .

Having thus thrown the mantle of progress about the Gold Dust twins, the Gilded Age was ready to bring the political forces of America into harmony with the program of preemption and exploitation. . . .⁴

In consequence of these things, according to the mythology, the rich were getting richer and the poor were getting poorer. Farmers were oppressed by high and discriminatory rail rates, and workers were being exploited by robber barons. The wealth of America was being channeled into the hands of a few beneficiaries of special privilege by both government action and inaction. Farmers were muttering, becoming angry, beginning to organize. Workers were feeling the pinch of deprivation, becoming increasingly discontented, and beginning to organize. These clouds upon the horizon surely portended a coming storm.

Let the Problem Fit the Answer

The solution to the problem is usually carried implicitly within the mythology. Fundamental adjustments must be made in keeping with the changed condition. The power of the people collectively, that is, government, must be used to tame these forces let loose in the land, to restore balance and harmony, to bring about an adjustment. But, as everyone who is familiar with the mythology knows, the cavalry did not come dashing to the rescue, or, to be literal, the government did not act forcefully to bring about this harmony in the late nineteenth century. True, it did begin to tinker, to prohibit trusts and regulate ineffectively the railroads, to allot a few crumbs of the governmental bounty by way of inflation to the poor and dispossessed. But these were puny efforts beside the massive transformation called for by these forces at work in society.

Things did begin to look up in the early twentieth century, according to the legend. Reformers began to be heard in the land; politicians began to advance some of their programs; even Presidents began to use the language of reform. Local governments, state governments, and even the United States government began to make faltering efforts at more comprehensive reforms. But alas, the ef-

⁴ Vernon L. Parrington, *The Beginnings of Critical Realism in America: 1860-1920* (New York: Harcourt, Brace & World, 1930, 1958), pp. 8-19.

fort was shortlived; the advance gave way to retreat once more in the 1920's. Business returned to the saddle once more; the roaring twenties witnessed the last fling of a moribund capitalism. The public was drawn into this Roman holiday, spending its substance in riotous living or engaging in the speculative boom occurring on the stock market.

The Great Depression

The long expected catastrophe finally came — the Great Depression. As fate would have it, the country was saddled with the last of the rugged individualists, Herbert Hoover, when the day of accounting arrived, and he fiddled with puny ameliorative efforts while Rome burned. The situation went from bad to worse. Arthur Schlesinger, Jr., himself a myth-maker of the first order, describes conditions on the day of the first inauguration of Franklin D. Roosevelt:

The fog of despair hung over the land. One out of every four American workers lacked a job. Factories that had once darkened the skies with smoke stood ghostly and silent, like extinct volcanoes. Families slept in tarpaper shacks and tinlined caves and scavenged like dogs for food in the city dump. In October the New York City Health Department had reported that over one-fifth of the

pupils in public schools were suffering from malnutrition. Thousands of vagabond children were roaming the land, wild boys of the road. Hunger marchers, pinched and bitter, were parading cold streets in New York and Chicago. On the countryside unrest had already flared into violence. . . .⁵

Following Roosevelt's inaugural address, of course, "across the land the fog began to lift."⁶

Whether the fog lifted or not (some think it settled permanently upon Washington), government intervention was certainly undertaken in earnest thereafter. According to the legend, government took up its proper role in affairs. It began to tame the wayward and destructive forces let loose by industrialization, to bring order out of the economic chaos induced by an economy of private aggrandizement and cutthroat competition, to take sides among the citizenry to rectify the imbalance between labor and management and between agriculture and industry. The United States government undertook planning, regulating, controlling, subsidizing, inflating, harnessing, spending, and taxing with a right good will. Of course, it took some time for those in government to learn just how to man-

⁵ Arthur M. Schlesinger, Jr., *The Crisis of the Old Order, 1919-1933* (Boston: Houghton Mifflin, 1957), p. 3.

⁶ *Ibid.*, p. 8.

age all these things in the best possible way. Some relics of the depression remained throughout the 1930's, and it was only after the outbreak of the war that full prosperity was finally restored. But the right direction had been taken, so the mythology goes. Government has now mastered most of the economic forces which once wrought such hardship in the land: that is, depression, unemployment (well, not quite!), destructive competition, hoarding (of money), and so on. There remain problems, of course, and the process of reform must go on, but the basically right direction has now been taken. The great progress that has been made in the last thirty years should be attributed to this governmental activity.

And How It Was Cured!

Government intervention, then, has produced great and lasting good. One will rarely find a dissenting voice about this in textbooks. On the other hand, it has done little if any demonstrable harm. This summary of the mythology can be closed with a quotation to this effect from one of the most consistent mythologizers of this generation, Senator Joseph Clark of Pennsylvania:

That nightmare of "federal control" which haunts the dreams of

our conservative friends is an hallucination. I cannot think of one example of the "heavy hand of the federal government reaching out into our private lives" that has actually been restrictive of our personal freedoms or detrimental to our economy. . . .

The federal government has been subsidizing education in this country ever since the Northwest Ordinance of 1784 [sic]. No harm and much good have resulted. The same is true of social security, housing, urban renewal, and government plans for the health care for the aged.⁷

There is enough truth in this account to make it superficially plausible. Men can thrust their experiences into this framework, and it will seem to make sense of them. After all, two generations of publicists and researchers have collected mountains of facts with which to buttress the mythology. In like manner, two generations of interpreters have woven these facts into smooth and plausible accounts of what has been and is happening. Nor is there any reason to suppose that many of them have any doubts about the correctness of their interpretations. For aught we know, the deluders are deluded by their own delusions.

Be that as it may, the above

⁷ In Edward Reed, ed., *Challenges to Democracy: The Next Ten Years* (New York: Frederick A. Praeger, 1963), p. 102.

summary is of a full-fledged mythology, believed and accepted by millions of Americans, so far as judgments of such things can be made. To perceive its mythical

character, it will be helpful to examine some of the myths that go to make it up, and to see how they took shape. Such an examination will be forthcoming. ♦

*The next article in this series will further cover
"From Ideology to Mythology."*

Back Issues and Binders

Back issues of THE FREEMAN, since October 1964 when this *Flight from Reality* series commenced, are available at 20 cents a copy. Also available at \$2.50 each are the 12-red, blue Leatherlex FREEMAN binders.

An Editorial from *The Journal of Commerce*:

THE SERPENTINE GAUNTLET

ANYONE who has followed the serpentine twists of this year's sugar bill through the House and on into the dungeon of the Senate Finance Committee knows that the visible signs of its progress—if it can be called progress—were not very pretty.

Its path was less a path than a gauntlet strewn with ambushes. At every turn in the marble cor-

ridors, in every committee room where it was detained, little knots of determined men were lying in wait, each with a sheaf of amendments plus hammers and nails with which to affix them to a measure that looked stranger and stranger until it literally fell asunder and broke up into three or more entities that could not at this point be reassembled by all

the king's horses or all the king's men.

There is the original Administration bill, with its country-by-country allocations on the basis of deliveries during the critical supply periods of 1963-64. There is the House-passed bill that uses the allocation formula of the 1962 Sugar Act which favors Western Hemisphere sources. There are the proposals of Senators Fulbright and Williams for a simple six-month extension. Separate plans have been advanced by Senator Douglas, who wants an import fee, by Senator Morton, who feels that even the House bill does not sufficiently favor Latin American producers, and by Senator McCarthy, who wants import quotas based on actual deliveries from 1960 to 1964.

Many, including this newspaper, have deplored the machinations of lobbyists representing all kinds of domestic and foreign interests in confounding the issues involved in the sugar bill. Beet and cane growers are feuding as usual. Foreign suppliers are feuding with each other. Foreign policy and domestic farm policies are colliding at every step of the way. And so it goes.

Nevertheless, it is not only unfair but a little aside from the point to blame all this shoving and pushing on the lobbyists. These,

after all, merely represent American and foreign business interests and a sizable number of foreign governments whose futures are deeply involved with every twist and turn of American sugar policy. If there are some who take advantage of this confusion for reasons that strike a number of critics as "crass," there are others who rightly feel their very livelihood is at stake. They can hardly be blamed for fighting for it.

Who's to Blame?

Where, then, does the blame lie? We would say it lies, in the considerations that do with sugar, as with any other commodity, in the foolish conviction that the determinations of Congress are in some way beyond the ken of the average person—superior to an overriding degree to any decisions that could ever possibly be reached in the market place.

If sugar had been left untouched, its marketing today would be determined solely by the price established by supply and demand. If foreign producers of cane could market their sugar here at lower prices than domestic beet or cane producers, there would be no problem. There might be no domestic beet or cane producers, but neither would there be any problem of choosing between foreign pro-

ducers. If, on the other hand, domestic producers could beat the foreign competition hands down, would there be any question as to which (if any) foreign producers should be favored?

It is only because Congress decided that it, and it alone, should be the supreme arbiter concerning the source and the price of every pound of sugar sold in the United States that this awful impasse came to pass. In such a circumstance, who can be surprised at learning that Congressmen are the target of each and every interest that can be brought to bear? In such a circumstance, who can be surprised at learning that the (almost) annual debate over the sugar bill evidences traces of the worst kind of logrolling that have disgraced democratic government in this country since the machinations leading up to the Hawley-Smoot Tariff Act of 1930?

We admit — the editors of this

newspaper — that some of our foreign friends and allies might suffer if sugar marketings here were determined solely by the laws of supply and demand, which is to say, by the laws of the market place. But who, after witnessing the deplorable results of Congressional horse-trading, could honestly say the market has in the slightest degree been improved by Federal intervention?

The fact is, it hasn't been improved in one single degree, or tenth of a degree. It would, today, prove far less chaotic if there had been no Federal intervention whatever. Let all liberals who believe in Federal marketing controls pause over this. Let them consider only sugar for the moment, but then consider how far down the road to ruin their follies have already led them. ♦

Reprinted by permission from *The Journal of Commerce and Commercial*, October 20, 1965.

IDEAS ON LIBERTY

Order

TO ORGANIZE ONE'S LIFE, to distribute one's time, to take the measure of one's duties and make one's rights respected; to employ one's capital and resources, one's talents and one's chances profitably — all this belongs to and is included in the word order. . . . Order is man's greatest need and his true well-being.

From the *Journal of* HENRI AMIEL (1821-81)

MONEY

PROSPERITY

LIFE is purposeful and creative action by individual creatures showing infinitely great ranges of variations in structures and capacities. The basic purpose of living action seems to be that of achieving greater *awareness* and *understanding* of the environment and increased *power* to organize it so as to make it more favorable to the preservation of higher forms of life. In such achievement we find the meaning of "welfare," "prosperity," and "progress" for every living thing including man.

For man, as for all forms of life, therefore, progress requires individuals to exert *effort* and to take the *risks* inherent in experiment and invention.

Dr. Watts is Chairman of the Division of Social Studies at Northwood Institute, a private college dedicated to the philosophy and practice of free enterprise. This article is from lecture material for his course: Survey of American Life and Business.

It follows that human welfare, prosperity, and progress do not consist in escape from stress and strain, nor in mere abundance of the means of subsistence or entertainment. Instead, welfare, prosperity, and progress correspond to the level of *creative activity* and the rate of achievement in discovering and developing new abilities and instruments for making the environment more hospitable to higher levels of living. Prosperity is pursuit of a flying goal. It is pursuit of abundance that escapes our grasp because human aspirations and capacities for achievements appear to know no bounds.

RESPONSIBILITY

In man, however, creative action has reached a new stage of evolution. In the human being the life force has become *self-conscious*, *self-controlling*, and *self-directing*.

AND FREE MARKETS

A SUMMARY..... V. ORVAL WATTS

The creature, man, can now help control and direct creation and humans progress only insofar as individuals become aware of this unique opportunity and take advantage of it. In other words, humans prosper and progress only as they become aware of their powers of choice, self-control, and self-direction, and as they learn to exercise these powers creatively.

This is what we mean by saying that the human individual must accept responsibility for his own acts. He must learn that he is responsible as the primary cause for what he does, and to survive and progress he must gain wisdom and take charge of the process of acquiring those habits we call "character," "virtue," "morality," and "personality."

PRIVATE PROPERTY

The first condition for this learning process and development

is *private property*, or, more simply, *property*, for all true property is private. Individual appropriation of standing room and of the means of subsistence is necessary for mere existence, and individual appropriation of land and tools is equally necessary for anything more than mere existence, that is, for any degree of prosperity and progress. The prosperity and progress of every human society correspond to its members' respect for the right of the individual to own, control, and use land and the fruits of his labor, thrift, and enterprise in production and exchange.

This individual appropriation and responsibility for finding, devising, and employing the "means of production" (land, natural resources, tools, machines, and other forms of capital) is *capitalism*. It follows from *freedom* from violence and intimidation (threat of violence). Where such freedom, or

peace, exists, individuals have property in what they find, produce, or obtain by voluntary gift or exchange.

COOPERATION

Equally essential for human prosperity and progress is cooperation. Humans need one another. None is sufficient unto himself. One of the most critical problems of human progress, therefore, is to maintain and improve cooperation while individuals exercise and develop their powers of self-direction and invention. These powers are the most important of all qualities distinguishing humans from animals or beasts. They are the qualities which also make a human — at least potentially — far more useful than any domesticated animal or inanimate machine.

But the risks of depending on the cooperation of free persons correspond to the opportunities for progress. Fear of these risks — knowledge that our welfare and even our very lives depend on the work and service of other persons — tempts us to resort to violence or threat of violence to assure continued cooperation or to increase it or improve it. The result of such coercion, however, is increasing antagonism and conflict or irresponsibility and apathy, which re-

duce cooperation. We cannot get true cooperation by force or threat of force because humans are self-controlling and will exert their peculiarly human powers (e.g., initiative and inventiveness) only in pursuit of self-selected purposes.

In perfect freedom, or pure capitalism, an individual would try to get the help of his fellows only by offering in return an *inducement* — something which other persons want and which they do not have or do not have in sufficient abundance. This inducement might be merely expressions of gratitude. But since man does not live by gratitude or praise alone, inducements in capitalistic (free) societies include offers of relatively scarce and desirable services and commodities — *economic goods*. This is the Golden Rule as it applies in the business of making a living.

MARKETS

But how can an individual know what goods to produce in order to get what he wants from others who may be distant from him in space or tastes?

The answer is to be found in the operation of the market place. Exchange values — wages, interest rates, rents, profits, and losses —

act as signals and incentives to producers. A relatively high price is more than a "trumpet call to production." It provides also an increased opportunity to those getting it to increase the supply of the relatively scarce service or commodity.

MONEY

For efficient marketing, or exchange, both money and credit are essential. *Money* is necessary as a measure of values and a medium of exchange. *Credit* is necessary whenever it takes time to complete an exchange.

In contrast with economic goods, money is useful only when scarce. Air and water are still useful even when they are so abundant that no one will pay anything to get more, but money becomes useless when everyone has all he wants of it. Gold would still have a use for filling teeth or for plating a man-made satellite if we had all we wanted of it, but it would no longer have use as money, because no one would give anything in exchange for it.

CREDIT

Credit and money are often confused with one another, but they

are actually as different as day and night. Money is a means of payment, credit is only a promise to pay. It arises in connection with an incomplete exchange.

Except in the case of simple barter, it is seldom possible or economical to make a simultaneous and complete exchange of services between two persons or to complete payment at the same instant each unit of services is performed. Most exchanges in all societies except the most primitive take time to complete, and while incomplete, credit is given and received.

From the lender's standpoint, credit involves trust that the borrower (the person who gets goods or money on credit) will complete the exchange (pay later). From the borrower's standpoint, credit involves a promise to pay—a promise to complete the exchange at some future time by giving value in exchange for the goods or money presently received.

To repeat, credit arises in an *incomplete exchange*.

CREDIT CURRENCY

The borrower may give the creditor a written promise to pay, but such records, or credit instruments, are not credit, and the number or face value of such instruments has only a loose and

indirect relation to the volume of credit in actual use.

Neither are such instruments money even though they pass from one person to another in settlement of obligations. Circulating credit instruments, such as private bank notes or bank checks, are a form of *currency*, but they are promises to pay money rather than money itself. Their usefulness as a medium of exchange, or *currency*, depends on creditors' confidence in the maker's ability and willingness to pay the money promised when due or to deliver claims of equal value against other credit-worthy producers or property owners.

GOLD STANDARD

When a debtor promises to pay in gold or some other commodity, he accepts the value of this commodity as the standard (measure) of value for his payment. He does not always or necessarily deliver the standard money (e.g., gold) in payment, but to avoid doing so and yet satisfy his creditors he must deliver goods or claims on goods which the creditor prefers to gold. This means that the debtor must price his goods (or those assets he liquidates in order to get the wherewithal to pay his debt) low enough so that buyers

will prefer them to gold and give him gold *or its equivalent* for them.

In this way, a standard money, such as gold, exerts constant pressure on individuals to use credit productively and to keep their prices in line with the value of the standard. If the standard commodity, e.g., gold, becomes abundant and cheap, sellers may correspondingly raise their prices. But gold has become the generally accepted standard in free markets precisely because—although widely distributed in nature—it has not come on the market faster than the demand for it has increased, except for comparatively brief periods.

BANKING

The specialists in credit (e.g., bankers, savings institutions, insurance and investment companies) record the values advanced as loans, or "credits," act as producers' agents in making advances and collections, and serve as clearing-houses for drafts, orders, and other forms of credit currency used as evidences of loans and payments, exchanges, and repayments.

Since a borrower commonly uses a credit from one producer (or from the financial agent of a pro-

ducer, such as a bank) to make full and satisfactory payment to another producer, it is easy to confuse credit (especially bank credit) or the evidences of this credit (currency) with money, and to believe that the demand for goods and the supply of credit depends on the amount of borrowing and the spending of borrowed funds. In this limited view, the borrower is a public benefactor merely because he borrows, buys, and consumes. When this limited and fallacious view of credit and of credit currency dominates political policy, it leads to waste of productive resources and to statism (governmental restriction of freedom).

In freedom, the borrower is expected to repay the loan, and lenders who fail to collect payment suffer losses and find themselves correspondingly deprived of their credit and lending power. To repay the loan, however, the borrower must either reduce his later spending by the amount of the loan (in which case there is no net increase in demand or spending for goods), or he must produce and sell more goods to get the means of payment. Since lenders usually charge interest for their loans, thus requiring repayment of more than was originally loaned, borrowers have a corresponding incentive to use their borrowings to maintain

their earning power or to increase it. Hence, in freedom, borrowers and lenders tend to use credit economically and productively.

We should note, too, that creditors and sellers of goods in free markets tend to reject or discount inferior currencies, i.e., currencies that are inferior in convenience and intrinsic worth. Consequently, *in freedom, good money drives out bad money*. Or, more precisely, among private currencies in free markets, more trustworthy and convenient forms of currency tend to replace inferior currencies.¹

FIAT MONEY

Governments, and only governments, may declare certain credit instruments (usually government IOU's or the IOU's of banks controlled by government) to be full *legal tender*. This means that creditors can legally demand nothing better or more valuable in payment of debts owed to them. This legal-

¹ Since, so far as I know, this law is my own discovery, stated in my classes and public lectures nearly 20 years ago, friends have named it "Watts' Law of Money." Long study of banking and monetary history, as well as economic analysis, convinces me that it is a valid observation of an economic uniformity, or law. Therefore I am willing to accept responsibility for putting the statement of it into circulation.

tender act by government transforms the credit instruments into "fiat money," or "paper money." The purpose of this act is commonly to increase the means for paying debts (including the government's own debts) and thus make them easier to pay. It thereby aids debtors at the expense of creditors.

It is to such legal tender money that Gresham's Law applies. Governments compel creditors to accept all legal tender money at face value. Yet they sometimes issue new kinds of money having less intrinsic worth than coins of the same stated legal tender value still in circulation. This was the case when the Tudor monarchs were debasing the coinage during the lifetime of Sir Thomas Gresham, London merchant and government financier. Gresham then noted (as Oresme and Copernicus had before him) that "bad money drives out good money." That is, debtors and buyers of goods make their payments in the money of less intrinsic worth, while they hoard, melt down or ship abroad the coins having greater intrinsic worth.²

² We have seen this verified in the United States for two years or more as paper dollars replaced silver dollars and half dollars in circulation, as wartime nickels of higher silver content disappeared from circulation, and now as the new "sandwich" quarters and dimes replace coins of much higher silver content.

DEFICIT SPENDING

When the fallacious view that borrowing *per se* is a public service prevails in politics, the government is likely to manufacture "lawful money" (legal-tender paper, or fiat money) to permit the borrower to avoid a cut in his future spending as he pays his debt. It may then issue paper money to lend or give to "needy," or "deserving," spenders, or to buy the products of favored producers regardless of the economic value or usefulness of these goods. Such policies waste labor and capital which might otherwise increase the supply of goods (and of credit) in the free markets, and they encourage unproductive borrowing and consumption of goods.

Furthermore, when government gets the authority to print legal-tender money, it is likely to use this easy method for increasing its own spending for political purposes, as, for example, for molding public opinion to support its expansion of power, for hiring police, spies, soldiers, and tax collectors to enforce its multiplying rules and levies, or for buying votes, wholesale or retail.

But as government thus expands its activities beyond those necessary to establish freedom (i.e., to suppress private coercion, such as

banditry, assault, and stealing), it takes from individuals a corresponding amount of freedom to use their energies and capital according to their own best judgment. It thereby restricts their opportunity to develop their most important powers — those powers which most of all distinguish humans from animals; and so it restricts human progress. This encroachment of government on individual freedom is commonly called “statism.”

Political constitutions are systems of rules by which freedom-seeking humans have tried to restrict government activities to those believed necessary for welfare. In this sense, the state and Federal constitutions of these United States were originally the most restrictive constitutions of which we have record, and until about 1898 they served as effective barriers to the advance of statism in this country. ♦

IDEAS ON LIBERTY

Opportunities to “Do Good”

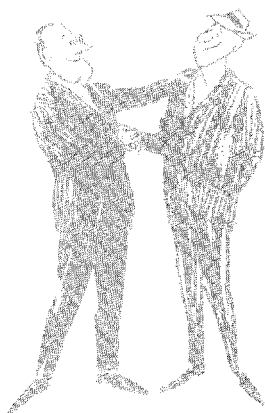
TOO MANY OF US get it into our heads that to “do good” we must go far outside our daily routine interests.

Glenn Frank once said: “The rich man’s greatest opportunity for public service lies inside his private business. That is to say, statesmanship in business is of greater social value than philanthropy outside business.”

A man with the genius for successfully running a business is right where he belongs; the opportunities to “do good” are greater in business than outside business.

WILLIAM FEATHER,

in *The William Feather Magazine*, July, 1965



The Human Desire for Freedom

EDWARD Y. BREESE

SOME THIRTY years ago surveys of employee motivation were conducted in great depth by some pretty hard-headed personnel organizations, and the eventual results were published and widely studied in such magazines as *Fortune*.

To the surprise of everyone concerned, the primary goal of the employee, both clerical and industrial, was neither salary nor "security" but a sense of personal worth, of achievement in the job, and the desire to receive a fair deal and recognition from the employer.

Unless John Doe can see the chance of achievement in status and in accomplishment of something he feels to be important in

the job, he is unhappy no matter what the rates of pay or the fringe benefits offered him.

No findings since these surveys were made in the thirties have in any way contradicted or superseded them.

In other words the typical man puts above anything else the need to feel that he is doing something worthwhile and that he can increase his skill and move forward by his own efforts. He is not foolish enough to believe that, under any system, everyone can become a millionaire. He does *need to know* that he can earn status and the recognition of his fellows in his own life and his own job.

It is just this sense of achievement which he cannot attain under any system except that of free competition and free enterprise. And it is for just this reason that

Mr. Breese is former chairman of the Department of Humanities, School of Engineering, at Embry-Riddle Aeronautical Institute in Florida.

man cannot fulfill himself as an individual within the termite hill of a totalitarian system.

This is the inescapable truth which dooms totalitarianism from the start. The seed of destruction lies within the Republic of Plato, the latifundia of slave-powered second-century Rome and eighteenth-century Brazil, the Russian Gosplan, the British modified socialism, and all other totalitarian efforts.

The socialist condemns the competitive activities of the men at the top of the human pyramid as a sort of "original sin" which is destined to destroy mankind. Success in competition and in achievement is condemned in terms of morality and with religious fervor.

Yet, no totalitarian regime has ever succeeded in destroying or even seriously limiting the activities of the sort of predatory competitor whom they all alike condemn. Under the socialist regime this fellow flourishes even more freely than before. He merely transfers his activities from private to public enterprise. As Joseph Wood Krutch observes in his *Essays on Man and Nature*,

When men cannot compete for wealth they compete for position, for authority, for influence in the right places. When they cannot own a palace, four automobiles, and ten servants, they manage to get themselves

appointed to jobs in connection with which these things are assigned them. More dreadfully still, when these same men find themselves no longer required to pay the common man to do their work for them, they quickly discover that when the profit motive has been abolished, the fear motive affords a very handy substitute.

Socialism, in fact, does nothing at all to hamper or eliminate the sort of competition against which it is continually preaching; it merely puts it on a dog-eat-dog basis.

What the totalitarian actually accomplishes is something very different from what he says he wants to do. It is the elimination of the opportunity for achievement from the lives of the generality of mankind, and this is, in very truth, a cardinal sin against the human spirit.

When the totalitarian removes from man his freedom of achievement within the framework of a free economy, he performs a spiritual amputation more deadly than the physical removal of an arm or a leg. Rather, he attempts such an amputation; for in fact, no essential component of humanity can ever actually be cut away.

The termite and the ant can live within the tight straitjacket of a controlled and regimented hive precisely because they are not hu-

man. The need of achievement, which is the root and basis of all competitive activity, is lacking in the insect. But it is present in the man.

Without this need, the man is no longer a man. If it should be cut away, he would no longer live and exist as a man. The Haitian concept of the zombie suggests what would remain of man without his competitive drive to achieve something of value.

Seldom has the need to achieve been given as free a rein as in our own American economy from the founding of the first seaboard colonies through the second decade of the present century. And it was precisely within this period that the great American achievements were made.

The efforts to grow and to achieve by millions of individual Americans over the years were multiplied into national achievement in the free functioning of republican political institutions, the creation of a technology unmatched in history, and the building of a more prosperous society for a larger group of people than history had ever known.

Let us grant that the growth of America was favored and aided beyond measure by the environment within which it took place. There was an immense surplus of land, of raw material, and — in

time — of labor and of capital. Yet, without the framework of the free economy established by the writers of the Declaration and the Constitution, there could not have been that added factor which made all the difference in the American achievement.

The greatest factor in our growth lay in the fact that for so many decades the ordinary American was free to grow and to achieve right up to the limits of his ability, and that *he knew he was free to do so*.

It is precisely this freedom and this knowledge of freedom that has to be destroyed if socialism and the monolithic state and controlled welfare economy are to endure.

Yet the hunger for this freedom is the one thing which can never be destroyed, because it is a deep-seated and essential part of the humanity of every man. It cannot be destroyed by brainwashing or sold for a mess of pottage. To cut it away would be like amputation of the head.

To awaken consciousness of this need in any man, it is only necessary to ask of him, "What do you really want in your life?" The totalitarian can never stop any man from asking himself this question. Because he *is* a man he must ask. And so long as he continues to ask, the totalitarian state can never prevail. ♦

This Independent Republic

ROUSAS J. RUSHDOONY, who has been a pastor of two churches and a missionary among the the Paiute and Shoshone Indians, has been called to his greatest work as a writer who specializes in the intellectual, religious, and moral origins of the United States. The word "called" is used here advisedly, with full realization of its religious shading. For Dr. Rushdoony considers that constitutionalism, in the United States, is, as he puts it, "a form of covenantalism," with civil policy limited by antecedent considerations of the "rights of Englishmen" which had been established in feudal Britain under the religious dispensation of the Christian church. He speaks always in terms of a higher law to which positive law must conform if our nation is to continue to observe its Burkean contract with its traditional past.

The Rushdoony way of thinking is becoming increasingly quaint in the age of collectivism, and his searching book, *This Independent*

Republic (The Craig Press, \$3.95), must mystify a generation that has been nurtured on the pure majoritarianism that is preached by James MacGregor Burns, Arthur Schlesinger, Jr., and other historians who care little for the rights of individuals as citizens of the separate covenanting states. In a way, the chapters of *This Independent Republic* consist of pellets thrown into the teeth of a howling gale. The U.S. Supreme Court no longer thinks of law and sovereignty in Rushdoony terms; it has turned against the covenanting states and told them how they must apportion the representation in their own local legislatures, and it has long since repudiated the idea that there can be such a thing as real intrastate commerce. The public, whether through apathy or fear, has gone along with the superimposed idea that no rights are sacrosanct against the decision of "one man, one vote." Hence Rushdoony, and those who believe with

him, must think of themselves as a "remnant."

Whether this remnant can be a "saving remnant," or a "happy few," is an interesting question as the Great Society carries on its work of blotting out the small Burkean platoons. But there is no virtue in trying to be with history when history itself is riding to a fall. The Rushdoony hope must be that some of the pellets thrown into the wind will be picked up and used once the gale has blown itself out.

A Contract Broken by King George III

Picking up one pellet and unwrapping it, the man of the future will have to consider Dr. Rushdoony's amplification of Peter F. Drucker's contention that the American Revolution was, in actuality, a counterrevolution against King George III's assumption of the arbitrary power of "the king in parliament" over colonials who had never relinquished their rights as Englishmen. It was King George III who broke the contract, not George Washington, John Adams, and Thomas Jefferson. Drucker, in his own now-forgotten book, *The Future of Industrial Man*, recalled the wide development of freedom in the Middle Ages, when the king was bound by his own feudal du-

ties as "first among equals" in a society in which the basic structure of society was the local land unit. It wasn't until after the big emigrations from England to America that the British parliament ceased to be what Rushdoony refers to as "a nonstatist feudal body, a court of contract and law between king and vassals" in which "representation was based on feudal classes." Since they were never consulted in the shift that made parliament over into "a statist body, exercising divine right," the colonists were merely holding to their own inheritance when they proclaimed their independence of King George III's government of usurpers.

Tenth Amendment Voided

Rushdoony's description of America as the land of "covenanters" assumes that the Tenth Amendment to the Constitution has never been repealed. Only specified powers were delegated to the Federal government by the contracting states in 1787. But what is the actual status of the Tenth Amendment today? According to this amendment, Federal intervention in the self-government of states—and, "by implication, of their constituent units, the counties"—is forbidden. Alas, a vaguely worded clause of the Fourteenth Amendment has been

stretched totally out of its context by modern Supreme Court justices to nullify the Tenth Amendment, which the formulators of the Fourteenth Amendment had no intention of repealing. The "covenant" of 1787 has been broken as arbitrarily as the covenants between the colonists and the British government were shattered by King George III way back in the seventeen seventies.

Areas of Intervention

So we have arbitrary government by Federal intervention. Dr. Rushdoony is unblinking in his recital of the scope of this intervention. In economics, the Federal welfare economy presumes to tell individuals what and where they may plant; where funds must be channelled to rehabilitate "depressed areas"; how much a marginal laborer must be paid; who shall hire whom; in what manner the right to free speech shall be fettered if your radio or TV company has been allotted a wave length; and so forth and so on (the list could be extended almost indefinitely).

Foreign policy, under the Constitution, is left to the President acting with the advice and consent of the U.S. Senate. But the Constitution did not give Presidents the right to employ huge armies. Dr. Rushdoony insists that Article

I, Section 8, of the Constitution makes universal military conscription possible for "the stated purposes only," which are "(1) to execute the laws of the Union, (2) to suppress insurrections, and (3) to repel invasions." This means that "conscripted men . . . could not be used in foreign wars." Well, they have been so used in World War I, World War II, the Korean War, and the present war in South Vietnam. I personally happen to think we are fighting a just war in Southeast Asia, but the Rushdoony interpretation of Article I, Section 8, makes the point that men can be illegally conscripted to fight in even the most justified crusades.

In the matter of money, the Constitution imposes restrictions on the states as well as on the Federal union. Yet modern banks effectively "coin" paper money in a way that would have horrified Andrew Jackson or even Alexander Hamilton. The Fifth Amendment to the Constitution says that "no person shall be . . . deprived of property . . . without due process of law" and "nor shall private property be taken for public use, without just compensation." Yet urban renewal consistently takes property from some for the profit of others, which is hardly consistent with the qualification about "just compensation."

**Modern Trends Based on Changes
in Underlying Faiths**

Dr. Rushdoony notes that the wide ramifications of Federal intervention mean that "we are less and less under the Constitution and increasingly under the Supreme Court." But he does not particularly blame the Court for this state of affairs. The trend, he says, is a cultural phenomenon, and its origins are religious. The eighteenth century meanings of words have changed because our informing faith has changed. We have lost our old character. We produce short-sighted Supreme Court justices because we fail, in the first instance, to educate potential judges as men.

It is hard to visualize a Great Societarian reading *This Independent Republic*. The very concepts would be alien to him. He would not grasp your meaning if you tried to tell him that 1776 represented a "conservative counter-revolution." Law, today, is anything that 51 per cent of the people want to impose on 49 per cent. It's "one man, one vote." So it was for a moment in Hitler's Germany; so it has been in some of the modern African states. But (see the Ghana of Nkrumah) "one man, one vote" can easily turn into "one man, one vote, *once*." The italics would meet with Dr. Rushdoony's approval. ♦

► HENRY DAVID THOREAU by Joseph Wood Krutch (New York: Dell Publishing Company, Inc., 1965), 298 pp. \$1.95.

Reviewed by Robert M. Thornton

ALBERT JAY NOCK once remarked that Thoreau is a man to *know*, not merely to know *about*. Mr. Krutch agrees, for his study is not just a collection of biographical data; it helps us understand the uniqueness of the man who wrote *Walden*.

Everyone knows that Thoreau lived in a shack by a pond. "He knew quite specifically how he wanted to live," writes Krutch, "and what he wanted to live for; he was also sure that his discoveries had general relevance—not that everybody should live as he did but that each should go about the solution of his own particular problem in the same radical way." In seeking the solitude of Walden Pond Thoreau "was not merely running away from human society but attempting to run forward into something, and it was not a sense of emptiness but a sense of richness which his solitude brought him."

Thoreau is renowned as a lover of nature; but Krutch, himself one of the breed, explains that this does not mean going out to view nature as one visits an art gallery. Rather, Thoreau wished

to become, in a sense, one with nature instead of being an intruder as are most men; his approach to nature was that of the poet.

Thoreau has two chunks of wisdom for those of us living a century after his death. His most fundamental injunction was "simplify, simplify," and this is especially urgent in an age when trivialities occupy so much of our time and energy. In our eagerness to "go places" and "do things" we do not truly live but rather go *through* life, gaining the whole world, perhaps, but losing our souls.

Secondly, there is Thoreau's contempt for group action, his rejection of mass movements as a cure for the ills of the world. As Mr. Krutch explains, the great question of our day is whether man is a responsible being or a mere product of the environment. Whenever the latter answer prevails, we seek to change the system, believing that improved social machinery will produce better men. Thoreau disagreed; he accepted responsibility for himself. He saw no reason to postpone life while waiting for a new world, but sought to live the good life in nineteenth-century Concord. He did not come into the world chiefly to make it better, he said, but to live in it good or bad. Thoreau knew that if he busied himself with trying to reform

others, he would neglect the only true reform possible, the upgrading of himself. ♦

► THE IMAGE: A GUIDE TO PSEUDO-EVENTS IN AMERICA, Daniel J. Boorstin. Atheneum (cloth) \$5.00; Harper (paper) \$1.75. 315 pp.

Reviewed by Robert M. Thornton

"THE VILLAINS who are said to be responsible for our perplexity — the hidden persuaders, the organization men, Madison Avenue, Washington bureaucracy, the egg-heads, the anti-intellectuals, the power elite," and so on, do not impress Mr. Boorstin with their villainy. What ails us, writes the Chicago professor of American history, "is not so much a vice as a 'nothingness,'" and in seeking to relieve our boredom by filling the void with the pseudo-events he describes in this book we are divorcing ourselves from reality. Mr. Boorstin is "suspicious of all mass medicines for national malaise and national purposelessness. . . . Our real problem," he asserts "is personal."

Ours is a nation founded, and in earlier years guided, by ideals — chiefly, the freedom of persons to work out their own destinies, to discover purpose in their individual lives. But we are losing our

vision, and American ideals are being replaced by American images — dreams by illusions. As persons, whether individually or in groups, our concern is not, for instance, to be good or kind, but to create the image of being good or kind. We “talk constantly not of things themselves, but of their images.”

In the last few paragraphs of his book, Mr. Boorstin pretty well sums up what he has to say about America's lost dream:

“. . . the prescriptions which nations offer for themselves are also symptoms of their diseases. But illusory solutions will not cure our illusions. Our discontent begins by finding false villains whom we can accuse of deceiving us. Next we find false heroes whom we expect to liberate us. The hardest, most discomfiting

discovery is that each of us must emancipate himself. . . .

“Each of us must disenchant himself, must moderate his expectations, must prepare himself to receive messages coming in from the outside . . . from our own past, from God, from the world we may hate or think we hate. . . . One of our grand illusions is the belief in a ‘cure.’ There is no cure. There is only the opportunity for discovery. For this the New World gave us a grand unique beginning. . . .

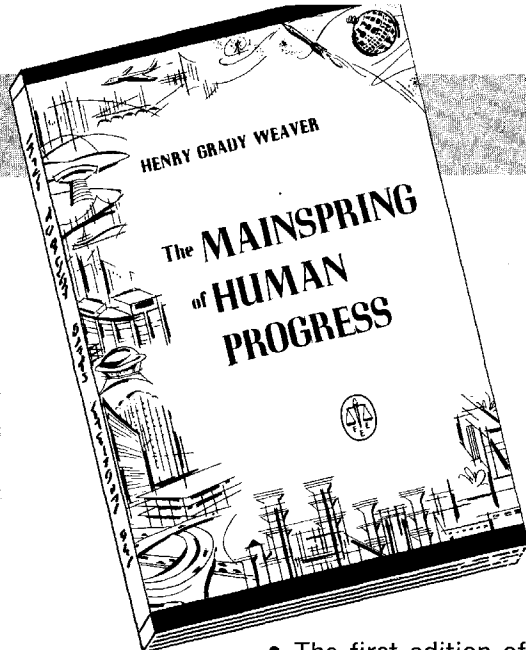
“The least and the most we can hope for is that each of us may penetrate the unknown jungles of images in which we live our daily lives. That we may discover anew where dreams end and where illusions begin. This is enough. Then we may know where we are, and each of us may decide for himself where he wants to go.” ♦

IDEAS ON LIBERTY

Treason To Freedom

THE GREATEST ENEMIES of democracy, the most violent reactionaries, are those who have lost faith in the capacity of a free people to manage their own affairs and wish to set up the government as a political and social guardian, running their business and making their decisions for them. This is statism, or Stalinism, no matter who advocates it, and it's plain treason to freedom.

MAXWELL ANDERSON, *The Guaranteed Life*



NOW AVAILABLE

in a new, attractive,
low-priced paperback:

Single copy	\$.95
3 copies	2.00
10 copies	6.00
100 copies	45.00

Also available in
standard clothbound volume, \$2.50

- The first edition of MAINSPRING (279 pp., indexed) was published in 1947. Since Mr. Weaver's passing, this great book has been the property of FEE. Previous to this new paperback edition, 350,000 copies have been printed.

One large company's circulating library for employees required 150 volumes to meet the demand.

Based on FEE's experience, MAINSPRING tops all books as a starter for any aspiring student of liberty. Easy reading — indeed, exciting — the beginner becomes so interested in freedom that he can hardly help pursuing the subject further.

FEE's recommendation: Keep a good supply of the paperbacks on hand to present to any individual who shows a spark of interest in freedom.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

THE *Freeman*



The Pursuit of Happiness

■ Let these truths be indelibly impressed on our minds — that we cannot be happy without being free — that we cannot be free without being secure in our property — that we cannot be secure in our property if without our consent others may as by right take it away.

JOHN DICKINSON, Letters from a Farmer in
Pennsylvania to the Inhabitants of the
British Colonies (1768)

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE *Freeman*

IDEAS ON LIBERTY

FEBRUARY 1966

The Cure for Poverty: Individual Effort	<i>William Henry Chamberlin</i>	3
Property and Poverty	<i>Paul L. Poirot</i>	10
U.S.A. — Disaster Area	<i>W. A. Paton</i>	16
The Rats Are Chasing the Cats	<i>Edmund A. Opitz</i>	21
The Flight from Reality:		
17. From Ideology to Mythology II	<i>Clarence B. Carson</i>	24
Sacrilege and Cupidity: A Plea for		
Perspective	<i>M. E. Bradford</i>	38
The Fallacy of Foreign Aid	<i>Henry Hazlitt</i>	41
The Macro Malady	<i>Leonard E. Read</i>	52
Books:		
A Way to Beat the Heat	<i>John Chamberlain</i>	60
Other Books		63



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



WHAT'S INFLATION?

Send for your copy of President Joe Crail's FREE informative SPEECH and find out what YOU can do to stop inflation.

Individual financial security is one way to help keep our nation economically strong. A Coast Federal Savings account is designed to encourage you to save.

SAFETY

Sound, Conservative Management
Insured Savings Accounts

HIGHER EARNINGS

COMPOUNDED DAILY, your savings earn 4.97% when held one year at current rate of 4.85%, paid semi-annually.

CONVENIENCE

Save-by-Mail pays AIR MAIL postage both ways

COAST FEDERAL SAVINGS AND LOAN ASSOCIATION

Department F, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of "What's Inflation?"
- ☐ I enclose my check (or money order) for \$_____
- ☐ Please open a Coast Federal Savings account—
 - ☐ Individual
 - ☐ Joint in the name(s) of

NAME _____

STREET _____

CITY _____ STATE _____

6-112A



COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

IN THIS ISSUE

- ✓ William Henry Chamberlin concludes that there is no reliable substitute for individual effort as a cure for poverty. p. 3

- ✓ And one of the greatest incentives toward individual effort is the institution of private property. p. 10

- ✓ There may be a good reason, believes Dr. W. A. Paton, why the entire United States might be proclaimed a disaster area. p. 16

- ✓ The Reverend Edmund Opitz speculates on the outcome if a rat were to catch a cat. p. 21

- ✓ Dr. Carson here concludes last month's chapter on the development of the socialist ideology into a mythology in the United States. p. 24

- ✓ Concerning the importance of loving some persons and things more than others, see. p. 38

- ✓ Henry Hazlitt looks at the record of foreign aid and finds no facts to fit the theory of the intergovernmental handout. p. 41

- ✓ Leonard Read has a theory of his own as to what will happen when individuals take on problems beyond their competence. p. 52

- ✓ The subject of this month's review by John Chamberlain is the economics of the tropics, based on **Contribution and Reward** by Mogens V. Hermann. p. 60

- ✓ And reviewer Opitz adds a word of commendation for **Introduction to Political Science** by Oscar Ibele and the **History of Political Philosophy** edited by Leo Strauss and Joseph Cropsey. p. 63

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.



A MONTHLY JOURNAL OF IDEAS ON LIBERTY

FEBRUARY 1966

Vol. 16, No. 2

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Flight from Reality."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

THE CURE FOR POVERTY:

Individual Effort

WILLIAM HENRY CHAMBERLIN

THE SUBJECT OF POVERTY, individual and national, is receiving a good deal of attention and discussion. Large sums are being appropriated for a so-called crusade against poverty in "underprivileged" city and rural areas. And it is a current intellectual fad to suggest that there is danger of war, or some other kind of unpleasant explosion, in the wide gap in living standards between the relatively prosperous nations of North America and Western Europe and the poorer countries of Asia, Africa, and South America.

There has been a plethora of proposals for "sharing the

wealth," nationally as well as internationally. And a fair start has been made in this direction by the graduated income tax and other devices for pillaging the thrifty for the benefit of the thriftless and by setting up an unprecedented system of peacetime subsidies from the United States and various European countries to the needy states of the world.

But the poor are still with us at home; the campaigns in the loudly advertised war against poverty often seem to break down in an atmosphere of squabbling over who gets what when, and charges of misappropriation of funds. In the case of the HARYOU organization in Harlem the argument in reply to these accusations was that lots of money had to be spent

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

fast as a kind of payment of blackmail to disorderly characters not to engage in riot, arson, and pillage. It might be noted that, according to all experience, paying blackmail in this fashion does not purchase permanent immunity from violence. For the blackmailer always comes back.

Nor has foreign aid, extended by the United States and other countries, proved a panacea for most of the newly independent states. Such countries as Indonesia, Algeria, the Congo are conspicuously worse off than they were under Dutch, French, and Belgian administration; and this is true as regards a number of other fledgling states.

The prediction of war unless, in some miraculous way, the poorer countries of the world are raised to the economic level of the more prosperous is not impressive or convincing. There was a time when hordes of barbarians could overrun much more civilized empires, if the latter had gone soft and neglected their defenses. But in the twentieth century only a nation sufficiently developed economically to produce modern nuclear and other sophisticated weapons could start a war against a nuclear "have" power without inviting devastation to the point of annihilation.

The big wars of modern times

have been fought between states with maturely developed economies. The days of sudden irruptions of hosts of unknown barbarians, often fleeing from the pressure of still more formidable barbarian forces, are over.

In order to see the problem of poverty and its cure or alleviation in perspective, several points must be borne in mind.

Compared with What?

First, poverty is relative. A family that would be considered poor in the United States would be the envy of most families in India, Albania, Chad, or Upper Volta. John Steinbeck's novel, *The Grapes of Wrath*, was a bitter indictment of the depression suffering that drove many tenant farmers in Oklahoma to migrate to California — where, incidentally, most of them found new opportunities and got along quite well. Yet, when a film based on this novel was shown in the Soviet Union, its propaganda value missed fire. Where did these people, if they were so poor and miserable, get their automobiles, was one question that occurred to Soviet audiences. How could they move without permission of the authorities? How could they be wearing such good shoes? There was this same element of relativity when Red Army peasant

soldiers, breaking into working-class quarters in Vienna, could not believe that workers lived in apartments with individual baths and kitchens.

I was in the United States at the height of the depression in the winter of 1932-33. An old acquaintance in Milwaukee, connected with the relief organization there, gave me a list of groceries supplied to persons on relief. I took the list back to Russia with me and showed it to a non-communist Soviet friend. He could hardly believe his eyes. "There isn't an employed worker in Russia who could count on a diet like this," he said. "Even highly placed Party and Soviet officials would be happy if they could count on a regular allotment of oranges and other food items on this list, some of which we haven't seen for years."

Some Poorer than Others

Second, no matter how high a country may raise its standard of living, there will always be a bottom tenth, or fifth, or third, whatever fractional measurement is chosen, of the people who will be less well off than others. This is partly a matter of misfortune in the case of those who are physically or mentally handicapped, partly a matter of comparative intelligence and aptitude in acquir-

ing skills, partly a matter of willingness to work. This last element becomes especially important in keeping people on the unemployment rolls and in the general classification of poverty when Federal and state relief programs become so generous that there is little incentive to perform the jobs which are lowest in economic value and remuneration.

Moreover, a certain number of people will always, of their own volition, withdraw from the competitive world. In some cases this may be for high motives, as when a writer, an artist, a musician, a scientist is willing to live on a subsistence minimum while he devotes himself to literary, artistic, or scientific creation and experimentation. More frequently the cause is temperamental aversion to or incapacity for steady work. So, under any economic system, some people will have less earning capacity and live in poorer houses, wear cheaper clothes, eat less luxurious food than others; although the average standard of living in some countries will be much higher than it is in others.

Compulsory Equality Challenged

If one desires a convincing practical illustration of the futility of trying to establish a society based on complete equality of compensation for all its members,

one need only look at the contrast between the Soviet Union, as it was in the first years of the communist revolution and as it is today.

There was no means of forethought by which a man of thrift and property could have insured himself against the consequences of the wave of nationalization, confiscation, and robberization that swept over Russia as Lenin and his followers seized and consolidated their power. The factory owners, the factory stockholders were expropriated. The banks and their assets were nationalized. The owner of a house was lucky if he could stay on in the basement after the local Soviet had taken over the dwelling and assigned the more desirable rooms to deserving comrades. All land was taken over by the state and parceled out to the peasants on the basis of the size of their families. The individual who preferred to hide his money savings in a sock found himself with only waste paper as the value of the ruble dwindled to zero. Perhaps the first challenge to the wild-eyed egalitarianism of the time—an equality, incidentally, of hunger, cold, and general misery—was that of the famous singer, Chaliapin, unforgettable in the roles of Boris Godunov and Mephistopheles.

It was decreed that all the per-

sonnel in the state opera, from leading singers to stagehands, should receive the same scanty ration. Chaliapin, a husky peasant with an enormous appetite, balked and carried out a one-man strike with conspicuous success. "Very well," he said, "I worked at manual jobs before I became a singer. I will be a stagehand now." And the authorities, anxious at least to give the public some entertainment, gave in and winked at Chaliapin's receiving a substantial individual ration, so long as he would continue to sing.

Income Variations in Russia

But after this initial sweeping universal impoverishment, a whole new system of differential wages and salaries grew up. In the beginning members of the ruling Communist Party, as a means of preserving their idealism, were required to accept only a skilled worker's pay, regardless of the importance of the post they might occupy. This rule has long been discarded and today, ironically enough, membership in the Communist Party is one of the surest roads to wealth, provided the holder of the party card possesses enough ability and ingenuity to climb to the top of the political and economic ladder. Visitors to Moscow are often strongly impressed by the tremendous spread

in standards of living between the privileged class at the top in Russia today and the masses of workers, peasants, and employees. This is reflected in such perquisites of membership in the Soviet elite as chauffeur-driven cars, expensive apartments with luxurious furnishings, country homes, ability to patronize expensive restaurants—all things far beyond the dreams of the ordinary citizen.

The Necessity of Inequality

The Soviet experiment, and the Chinese, offer convincing proof that there is no cure for poverty in wholesale expropriation and spoliation. This may temporarily produce equality of a sort, but only equality of extreme privation and misery. As soon as economic life begins to revive, new favored classes begin to appear, and new inequalities. This process is as inescapable as the working of some law of natural science. The necessity—not of poverty in its more extreme and squalid forms, which tend to abate or disappear in more prosperous societies, but of inequality as a condition of human progress—is forcefully put by one of America's most powerful conservative political thinkers, John C. Calhoun, in his *Disquisition on Government*:

Now, as individuals differ greatly

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

It is indeed this inequality of condition between the front and rear ranks, in the march of progress, which gives so strong an impulse to the former to maintain their position, and to the latter to press forward into their files. This gives to progress its greatest impulse. To force the front rank back to the rear, or attempt to push forward the rear into line with the front, by the interposition of the government, would put an end to the impulse and effectually arrest the march of progress.

These wise reflections should be borne in mind when it is lightly

assumed that large appropriations of government funds will end poverty at home or that big enough government-to-government handouts will end poverty among nations. Among all the factors promoting human progress toward higher living standards, perhaps the most dynamic is competition. And the existence of a fairly competitive society is the best guaranty against extreme poverty that has yet been discovered. (There was a good deal of homely truth in the sticker which figured in a recent political campaign: "I Fight Poverty. I Work.")

The Cure for Poverty Is to Spark Personal Ambition

The only hopeful real cure for poverty is not a proliferation of bureaucratic social agencies and eager-beaver crusaders. It is the kindling of the vital spark of personal ambition in the hearts of those whose poverty is not the result of causes beyond their control. How to kindle this spark is not a simple or easy problem. But surely one of the most hopeful means is to hold out the prospect that the man who is poor today may be well-to-do or even rich in the future. And it is only in a fluid, competitive society that this prospect becomes a reality. There is much truth in Macaulay's formula for continued economic prog-

ress, which may be summed up as follows:

Leave capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by maintaining peace, by defending property and by observing strict economy in every department of the state. Let the government do this and the people will assuredly do the rest.

The only effective cure for individual poverty is individual effort. The best stimulus to this effort is the constant spectacle of what other individuals, no more favored by early surroundings and circumstances, have been able to achieve by their own efforts. Handouts are of no permanent value. Still less is any benefit to be expected from resort to violence and rioting. Imagine what impression a rioter would make on a prospective employer by offering as a job recommendation some such statement as this: "I took part in looting four stores and burning six others."

With nations as with individuals, there is no short magic road from destitution to affluence. No one owes the more indigent areas of the world a living, although one would never suspect this from the yeasty oratory that is popular in some quarters. Asians, Africans,

South Americans must work for their living like everyone else. How quickly and successfully these economically retarded areas of the world will achieve their goals of better schools and roads, more food and clothing, and other good things of life depends mainly on the policies which their governments pursue.

On the International Scale

Unfortunately, these policies have not always been marked by wisdom. All developing lands need capital; but the new governments often frighten away foreign investment by hostile and confiscatory measures. Foreign aid, when it is given, is often frittered away

in mistaken projects of state planning.

Some years ago a distinguished Indian member of the Mt. Pelerin Society — an organization committed to the ideal of integral liberty, with economic liberty as its base — after pointing out many examples of misapplication of American aid by Indian state planners, drew a round of applause when he announced his conclusion: "What India needs is not dollars, but the spirit of the Mt. Pelerin Society."

For nations, as for individuals, the cure for poverty is intelligently directed individual effort, free from the blunders and distortions of state direction. ♦

IDEAS ON LIBERTY

Marxism in One Minute

THE WHOLE GOSPEL of Karl Marx can be summed up in a single sentence: Hate the man who is better off than you are. Never under any circumstances admit that his success may be due to his own efforts, to the productive contribution he has made to the whole community. Always attribute his success to the exploitation, the cheating, the more or less open robbery of others. Never under any circumstances admit that your own failure may be owing to your own weaknesses, or that the failure of anyone else may be due to his own defects — his laziness, incompetence, improvidence, or stupidity. Never believe in the honesty or disinterestedness of anyone who disagrees with you.

This basic hatred is the heart of Marxism. This is its animating force. You can throw away the dialectical materialism, the Hegelian framework, the technical jargon, the "scientific" analysis, and millions of pretentious words, and you still have the core: the implacable hatred and envy that are the *raison d'être* for all the rest.

PROPERTY AND POVERTY

PAUL L. POIROT

IF HUMAN BEINGS were constituted the way communist or socialist doctrine contends they ought to be for perfect implementation of the formula, "from each according to ability, to each according to need," then such terms as *property* and *poverty* would lose all meaning and might be expected to drop from use. Nor would there be need for such a word as *individuality* to signify marks of distinction among equally characterless comrades.

Property, then, must be a distinguishing feature in any society where the dignity of the individual is recognized and respected — *private property*, under individual ownership and control, restricted only to the extent that such personal use might injuriously infringe upon the comparable dignity and rights of other human beings. In other words, respect for the dignity of an individual presumes that individual to be

responsible for the development and the use of his faculties, his qualities, his properties. Private ownership of property presumes a personal responsibility and liability for the use of that property — property being one aspect of the character of an individual. Respect for the dignity of an individual presumes his property to be a vital part of his life — his right, and his responsibility.

To respect the dignity of an individual is not to expect perfection of that individual; nor could anyone who presumes himself to be perfect honestly respect the dignity of anyone at all different from himself. "Perfect" men are bound to organize utopias and try to manage the inmates. Only imperfect individuals can be expected to tolerate either real or imagined imperfections in others and live together with mutual respect and human dignity. So, to practice freedom is to tolerate

mistakes, not in the sense of inviting or cultivating error, but as one of the prices to be paid in the endless search for improved ways and means toward meeting man's rising expectations.

Freedom of the individual to make his own mistakes in the use of his life and his property places squarely upon him an unlimited liability for the consequences. To act in ways that trespass against the lives and properties of others is to invite claims for damages and punitive reactions from them. Governments are constituted and laws enacted among men to identify and suppress those abuses of freedom that deprive others of their freedom. But it is neither necessary nor desirable to pass laws to prevent mistakes at one's own expense.

The Right to Fail Should Not Be Outlawed

Such laws are unnecessary, because the direct victim of his own mistake ought to be afforded every opportunity to bear the burden and learn from it. And he should need no further incentive to avoid similar mistakes in the future — no law to tell him to stop hurting himself. To the extent that poverty results from personal mistakes, it serves as incentive to correct or avoid such mistakes and should not be outlawed.

Not only are such laws unnecessary, but they are undesirable. With our capacity for hindsight, the following may not now seem true; but, at the time, almost every great discovery, breakthrough, invention, or bit of progress toward civilization must have seemed to the vast conservative majority of his contemporaries to have been a mistake on the part of the innovator. If he were different, he must be wrong! So, society's laws to prevent mistakes almost certainly would be aimed to suppress differences, and thus, inadvertently, would stifle progress.

Let there be no mistaking what has just been said. A society with laws to preclude mistakes by individuals is a collectivistic form of society that elevates the group above the individual and lacks respect for the dignity and the life of the individual human being. And a most obvious characteristic of such a society is common ownership or government control, rather than private ownership and control of economic goods and services. Laws and government programs to abolish or alleviate poverty, regardless of the good and honorable intentions of their sponsors, must be recognized and counted as laws to prevent mistakes or to relieve the individual of the consequences of his mistakes. Tending in that same direc-

tion are certain features of our bankruptcy laws and the laws affording limited liability to individual participants in corporate and cooperative business ventures and to the members of labor unions.

Any law that relieves any individual of the consequences of a mistaken use of his life or his property must necessarily and at the same time at least partially deny him and other individuals the benefits of the wise and judicious use of their faculties and properties. This encourages irresponsible human action and results in the loss of self-respect as well as respect for the dignity of one's fellow man. Herein lies the great threat and harm of compulsory collectivism among men, that it diminishes the incentive of every individual involved to achieve his greatest potential as a human being.

Compulsory Programs Have Failed

The countercharge, of course, must be faced: that the intent of compulsory collectivism is quite the opposite, that the objective of sharing the wealth is to give the poor individual a greater chance than he might otherwise have had. However, the results do not in practice, and cannot in theory, measure up to that laudable aim.

History profusely records the

failure of compulsory programs to alleviate poverty. The ways of identifying the poverty problem have varied, as have the details of the coercive methods applied toward its solution. But perhaps the most common manifestation of poverty has been hunger and the threat of starvation — a population in excess of the available food supply. And the most common manifestation of the proposed compulsory cure has been "the man on horseback," some aristocratic ruler presumed able to plan and manage the lives of "lesser" human beings. Another distinguishing feature of such societies has been the classification of individuals according to status or caste in some form of master-slave arrangement. And closely related to this classification of people has been the concentration of property under the control of the ruler and his court.

In other words, when human poverty has been considered primarily in terms of hunger, starvation, and other physical needs of masses of people, the customary "cure" has involved "Superman," or a small ruling clique of supermen, managing the great body of mankind as though these people were simply a number of mindless ordinary animals constituting a useful herd; the dignity of man has been denied.

A Faulty Solution

No dream should have been necessary under the rulership of the Pharaoh's of ancient Egypt to foresee famine threatening such a slave society. But wise indeed would have been an interpreter of dreams in those days who could have known that the voluntary transactions of free men in a free market, with private ownership and control of scarce goods and services, might afford a solution to the problems of chronic and acute surpluses and shortages. For all Joseph knew, the only cure for too much government intervention was more intervention, planning, and control. To be saved from starvation by that arrangement was to be further enslaved to the Pharaoh.

The early history of the Plymouth Colony in the New World affords further evidence of the disastrous consequences of collective treatment of the poverty problem. The first years of communal effort, pooling the harvest and sharing "according to need," were marked by dissension, dearth, and death. Fortunately, the solution was to try private ownership of the land and the fruits of each owner's labor; and hunger and famine have been unknown in the land since that change.

In his 1869 essay on "The Fam-

ine of 1770 in Bengal," John Fiske attributed the severity of the famine to the prevailing laws prohibiting all speculation in rice. In this, as in earlier and also in subsequent famines that have periodically plagued so much of the Orient from time immemorial, governments have intervened with price controls, rationing, and similar restraints and compulsions. Always, the justification is that this is "for the good of the people." Always, the consequence is "people control," as if they were animals—and famines have prevailed to this day.

William Henry Chamberlin reminds us that the serious famines of the twentieth century, notably in Russia and Communist China, must be attributed in their extent and severity to the agrarian reform efforts and other manifestations of compulsory collectivism on its way to "the classless society."¹ The darkest cloud on the horizon of man today is the inevitability of famine on a scale previously undreamed, if populations continue to expand at present rates in countries such as Russia, Red China, India, Cuba, and others where private property is subject to arbitrary governmental expropriation and individuals are

¹ "State Economic Planning: Tragedy or Futility," *THE FREEMAN*, January 1966, p. 27.

denied their rights of entry for voluntary exchange in the open competitive market.

Shakespeare caught the essence of the problem of poverty in this passage in *Othello*:

Who steals my purse steals trash; 'tis something, nothing:

'Twas mine, 'tis his, and has been slave to thousands;

But he that filches from me my good name

Robs me of that which not enriches him

And makes me poor indeed.

In other words, the concept of private property is quite meaningless unless there be respect for the dignity—the good name—of the individual human being. Poor indeed is the individual who counts for nothing in terms of the well-being of the collective. Yet, if there be no respect for private property, neither is there within such a society any meaningful measure of poverty. And even the mass murder of millions of kulaks through man-made famine can be passed off as a necessary detail in communism's march toward "progress."

From a strictly economic point of view, poverty might be construed as the scarcity of a given resource relative to the demand for it. In other words, the price of a given item is beyond the reach of certain potential custom-

ers. But this is only another way of saying that the limited resources of such potential customers—their pennies, their services, or whatever marketable items they might in turn have to offer—are priced beyond the reach of so-called suppliers. For it must be remembered that in the market economy the customer for one thing is bound to be the supplier of another, and vice versa. If Henry Ford, for instance, had held the world's supply of automobiles at prices beyond the means of all customers, it might have been contended that Henry Ford was a victim of poverty in that he could not—or would not—afford to buy the things others were willing to offer in exchange for his automobiles.

The fact, of course, is that Mr. Ford could and did "buy" what customers offered for his cars, the result being a "nation on wheels." His genius was in his capacity to mass produce for the masses, through the operation of the laws of supply and demand and price in the competitive market. And the "poor" customers of America handsomely rewarded Mr. Ford for that contribution toward the alleviation of their poverty. Messrs. Woolworth, Kresge, Penney, and countless others similarly attained fortunes through thus catering to the wishes of property-

respecting consumers according to the free market method of waging war on poverty. The result has been referred to as the "affluent private sector" of the economy by those who cannot or will not see that the public (government) sector inevitably will be starved—even if they themselves were put in charge of other people's problems.

Poverty, then—in this sense of the term—is the great persuader as well as the great conservator, the incentive each of us has either to hoard or to bring to market those scarce and valuable resources that others want in exchange for their own goods or services. Poverty and property are closely related, personal, private conditions, meaningful and applicable only to individual human beings. Those who would use their relative poverty to justify seizure or denial of the property rights of others thereby revert from man to animal, destroy their own access to the market, and commit themselves to the authoritarian ways that always have spelled starvation.

Where Do We Stand?

In the light of the foregoing observations, how goes the real war on poverty in the United States of America and in the world today? In Russia, in Com-

munist China, in India, in Cuba, and in most other totalitarian economies, the threat of starvation is too near to admit any other answer. But do not the totalitarian measures rampant in the United States and elsewhere in the "free world" portend that same end?

What else can be expected from these government-enforced grants of special privileges for labor, and agriculture, and one pressure group after another? What can be the hopeful end of the regressive Social Security taxes that already exceed the progressively graduated personal income taxes of at least half of the families in America? What is the state of health of those now relieved of personal responsibility for their medicare? Is a man's home still his castle under the threat of eminent domain to achieve the ends of public housing, urban renewal, area redevelopment, flood control, and related efforts at group salvation?

Not even in America can we hope to escape the inevitable starvation that has always resulted from governmental subsidization of poverty—*unless we turn back to the defense of private property and the open competition of the market, based upon respect for the dignity of every human being.* ♦

U. S. A. DISASTER AREA

W. A. PATON

BACK IN 1887 President Grover Cleveland disapproved a bill to provide \$10,000 of Federal aid to farmers in some drouth-stricken counties of Texas. His veto message included the following: "I can find no warrant for such an appropriation in the Constitution, and I do not believe that the power and duty of the general government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadfastly resisted. . . ."

There has been quite a change since Cleveland's day. The "prev-

alent tendency" that he observed has grown from a trickle to a torrent. Turning to Uncle Sam for help in meeting local emergencies and difficulties has become standard practice. A few years ago there were complaints among apple growers in one of the states regarding prices and marketing methods, and the governor of the state promptly hopped on a plane and flew to Washington to seek assistance. That same season a couple of other governors made the trek, with plenty of publicity, to ask for aid to relieve the distress caused by local crop failures.

But such journeys, apparently, are no longer required. All that is necessary today is to telephone the bad news to the White House and the President himself will fly over the floods, the dry fields, the frost-bitten orange groves, the

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.

forest fire, the tornado's path, or other trouble spot, and on the basis of this high-level and high-speed inspection decide upon the appropriate relief program.

The Habit Acquired

The habit of begging rides on the Federal gravy train is easily acquired, especially when the Boss Man and his crew are eager to attract passengers. Last summer the current governor of the state that had the apple troubles earlier proposed that some twenty counties, which had had no substantial rainfall for four or five weeks, be designated as disaster areas. A person driving around the state at that time would have had trouble picking out the afflicted counties making up the governor's list. And undoubtedly an investigator could have found many people in almost every community throughout the state—and especially in the towns where governmental water departments, not noted for good management, had prohibited sprinkling of lawns and gardens—who were complaining about the dry weather. (A careful observer might have noticed, too, that Sol & Co. don't pay much attention to county lines in providing or withholding precipitation.)

Shortly after the governor's announcement, as it happened, there were heavy rains almost every-

where, and before long there was considerable grumbling about the "unusual" wet weather, and resulting troubles encountered in harvesting and other outdoor operations. There was little or no critical comment, however, regarding the governor's efforts—an indication of the extent to which we are all becoming accustomed to the idea of relying on Washington to bail us out of difficulties, both ordinary and extraordinary.

Adverse Weather

Anyone who has lived in the U.S.A. for long, done the usual amount of domestic traveling, and kept up with the news about meteorological conditions, is well aware of the fact that in most sections of the country the weather is highly variable, seasonally and within seasons. He knows that there are drouths, hurricanes, floods, freezes, and other unpleasant happenings somewhere every year (which is not to deny that some years are worse than others). He also knows that nowhere are ideal conditions to be found, for any considerable period, and that there is no possible weather formula for an area that will satisfy everybody, continuously.

In other words, adverse weather is a commonplace, one of the fac-

tors that makes life still a bit rugged, despite the marvelous improvements in housing, transportation, construction equipment, agricultural methods, and so on. And if a spell of unfavorable weather provides justification for the label "disaster area," it would seem reasonable to describe the entire U.S.A. as such an area and be done with it, instead of employing piecemeal procedure.

To Get One's Share

One thing we can be quite sure of: Before long it will become very apparent to the residents of counties and communities that have been left out of a regional relief program that they are getting shortchanged with respect to the outflow of Federal funds, and that they must make an effort to qualify for a cut. In most cases it will not be difficult to find local troubles and problems that will suffice to put the area on the needy list, especially in view of the present tendency to welcome new clients for Federal handouts.

It is not necessary to look very far ahead, moreover, to see a situation in which the rare community which wants to be independent, which would like to take care of its own emergencies, which has a citizenry that believes that local problems should be solved locally, by those directly concerned, will

find itself regarded as a maverick if not a menace by the Federal octopus, and will be pressured vigorously and unrelentingly to get in line. Indeed, this state of affairs is already in evidence in the handling of Federal aid to education and some of the other programs, both minor and massive. And while major cities such as Chicago, with considerable political influence, may offer some resistance to discriminatory pressures, the smaller communities will generally feel obliged to knuckle under promptly, without serious protest.

Everyone Pays

It is amazing, but quite apparent, that many of us are unwilling to face up to the plain fact that it is the taxpayers of the country (and that means nearly everybody, when all forms of tax levies, direct and indirect, are taken into account) who foot the bill for governmental handouts, of every kind and description. Where there is awareness of this fact, moreover, there is a widespread tendency to forget that the process of assessing and collecting taxes, to provide the money for Big Brother to spend in our behalf, plus the development and operation of an administrative and disbursing apparatus, heavily manned, means that the return

"relief" flow to states, localities, and specific families and individuals, is a much reduced stream. In short, the cost of taking our money away from us and spending it for us is very substantial.

Another common misunderstanding is found in the view that some states or regions get back more than the Federal take from such states or regions. Of course, levies on taxpayers generally can bring a net gain to a strictly limited list of localities or groups, with low taxpaying power. But with relief and aid programs widely applicable as they are now, on a tremendous scale, and keeping in mind the cost of such programs and the broad impact of present-day tax burdens, it can hardly be expected that any region of substantial size will recover 100 per cent of its contributions to the programs.

Statistical demonstration of this state of affairs is somewhat difficult, but such data and estimates as are available indicate that none of the fifty states gets back more than the outgoing amount. It is fairly obvious that no kind of tax-handout program can improve the lot of all of us. The formula of from-everybody-to-everybody has never been made to work. It is literally impossible, of course, to improve the per-capita standard of living without per-capita im-

provement in economic effort and performance. Trying to accomplish this by governmental redistribution programs is just as futile as trying to lift ourselves up by tugging at our bootstraps.

Coercive Powers Lack Magic

At times many Americans evidence an almost mystic faith in the ability of government agencies to cure all our ills. They forget that government is nothing more than people, operating with coercive powers either seized in one way or another or granted and sanctioned, more or less completely, by the citizenry. These people have no Aladdin's lamps or other magic tools, as should be very apparent to anyone who has had the opportunity to observe closely either local or central government in action. At the best, government consists of some conscientious and capable persons trying hard to accomplish certain specified and limited chores that have been delegated to them; at the worst, government consists of one or more racketeers and tyrants interested largely in living high from the efforts of their subjects, and in maintaining themselves in power. And even a quick look at what we know of human history makes it very plain that keeping those inclined to dictatorship and exploitation from climb-

ing on the White Horse seems to be well-nigh impossible — for any considerable period.

The Real Disaster

This brings me, finally, to the main point. The justification for referring to the entire U.S.A. as a “disaster area” is not to be found in regional variations and difficulties, nor in aid and handout programs as such. The disaster that has befallen us is the change in attitudes. The decline in willingness to assume responsibility and take the initiative, at individual and family levels; the increasing feeling of helplessness and accompanying eagerness to cast our burdens on the state; the failure to remember — despite the American experience of which the astonishing results are still right

before our eyes — that the road to prosperity for all is a climate that encourages the talented, the innovators, the enterprisers, and thus produces a surge of creative energy and drive that stimulates even the laggards to try to hang on to the fast-moving coattails of the hustlers: these are the changes that have brought us to the very brink. And there are few signs on the horizon that we will wake up in time to avoid going over the cliff into full-fledged socialism.

Just a few years ago “ham-and-eggs” Townsend of California failed to get even a respectful hearing when he appeared before a Congressional committee to urge his modest program of help for the old folks. If he were to return to our midst now, he couldn’t believe his eyes or ears. ♦

Reprints available, 3¢ each.

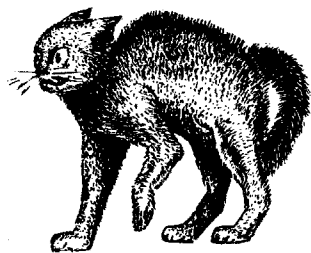
IDEAS ON LIBERTY

Persons and Groups

IT IS MAINLY when persons combine into mobs and other militant pressure groups that tolerance and an instinctive respect for others are lost in an illogical and mad attempt to force peaceful individuals and minorities to conform to the viewpoints and prejudices of the herd. When this happens, love and charity and respect for one’s fellow man receive a mortal blow.

DEAN RUSSELL, *Equality and Security*

The Rats Are Chasing the Cats



EDMUND A. OPITZ

KARL MARX, a century ago, claimed that he stood Hegel on his head; thus putting the philosopher right side up! Friedrich Nietzsche, at about the same time, preached a "transvaluation of all values." Practice tends to follow theory, and the world in our time is topsy-turvy. Values are inverted; good and evil have changed position; and things are turned inside out.

• *Item.* There used to be honor even among thieves. The pirates of ancient Greece, we are told by Sir Alfred Zimmern, thought little of murder and robbery, "but an unfair division [of the spoils] was the gravest of social offenses." There are modern crimes to match

piracy, but let us focus on offenses outside the purview of the law and ask first how honor fares among us.

The theater holds a mirror up to society, and a recent television show undoubtedly reflects a segment of the changing mores. It concerned college student cheating. The classroom cheat really harms himself, of course, although cheating may help him pass a given exam; socially, his actions violate the gentleman's code. When this code is observed generally in a school or a society, the cheat is on his own. He knows he does wrong, and he attempts to suppress, as best he can, his sense of guilt. But when the code of the gentleman is not felt as personally binding, the sanction that replaces it is that "everybody's-doing-it." The television drama dealt with mass

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education.

cheating in a college chemistry exam; the cheaters took pride in their cleverness, whereas the one student holdout felt guilty because he did the right thing. He refused to go along with the crowd and the crowd turned on him in self-righteous scorn. Publicans thankful that they are not like that Pharisee!

• *Item.* Then there are turncoat words. "When I use a word," Humpty Dumpty said, "it means just what I choose it to mean—neither more nor less." Take the word "Liberal." A nineteenth century Liberal strove to free society by placing principled limitations on government. A twentieth century Liberal, on the other hand, works to unfetter government from constitutional, legal, and moral restraints. A government of laws was the earlier ideal; now, a government of men. The accents of Milton and Locke, of Burke, Mill, Gladstone, and Morley were the authentic sounds of Liberalism in the classical sense. The political words and music are totally different today; but the label is the same.

• *Item.* Americans of the nineteenth century believed in the ideal of a society without privileged orders or classes, where government renders an evenhanded justice to all men alike and

maintains conditions of equal liberty. Such was the American dream. Now, it goes without saying that this ideal was frequently violated. Men have never lived up to their highest visions; but daily striving for unattainable goals puts the life of men on a plane higher than would be the case otherwise. Moreover, the defections from and violations of a principle do not, in and of themselves, constitute a case against the principle, nor provide adequate grounds for dropping it. The older principle has been dropped, however, and another has taken its place. Where did it come from? From the malpractices! Defections and violations are treated as raw data, and a hypothesis is drawn up to cover this data. The hypothesis is then sold as the latest principle for social organization.

Government, in the theory of Liberalism which was in the ascendant during the nineteenth century, protects individual rights by deterring or punishing acts of aggression. Peaceful persons are free from governmental interventions. But some men who live under regimes erected on this theory will violate its principles. They will seek to turn a political instrument designed to secure liberty and justice for all into one which awards economic advantages to themselves at the expense of

others, in direct violation of classical theory. The twentieth century response to such wrongs has been to reduce the theory to the low level of the malpractice! Thinkers of our time have whipped up a new theory in which the dispensing of economic privilege is the chief function of the political agency! This is today's "Liberalism" which has violations of person and property as a built-in feature of its operation; it is designed to produce precisely what the previous theory was designed to deter! It refuses to function unless appeased by sacrificial victims, for there's no way to give politically distributed advantage to some without thereby taking advantage of others. This is a symptom of social disintegration.

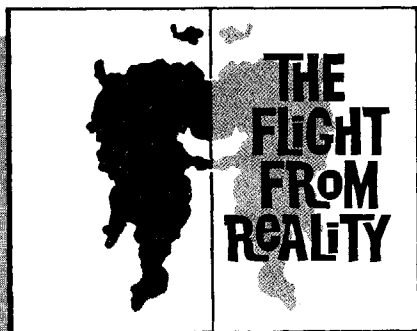
• *Item.* A given society exists because most men in it feel themselves bound individually by ties of loyalty to the things that society stands for. In every society, however, there are to be found men in whom these ties are weak, able to be loosened still further by combinations of persuasion and cash. Treason is an ancient crime, and a serious one in the eyes of most men, including the traitors themselves. But treason has a new dimension and a new meaning in our time, writes Rebecca West: "Never before has treachery been

so sunny and lighthearted, presenting itself not as Judas, conscious of the last suspension from the elder tree, but as some innocent little figure in straw hat and sailor suit." The advent of the atomic age has involved the scientific community in politics, and worse, and Miss West describes the case of a well-known physicist. She observes that "the gaiety with which he faced the suspicion of treachery gives some indication of the curious mental climate in which he and his associates had their being." This is a climate in which the betrayers look down their noses at the parochial loyalties of their fellow citizens, while smugly proclaiming their dedication to a police state system which is the most deeply rooted and far-flung tyranny of all time. All, of course, in the name of Humanity and the Larger Good!

• *Item.* Oddballs, kooks, and freaks regard themselves as normal and the rest of us as queer. Those who live by predation and parasitism think that only squares work. The Yahoos take over; the deviant becomes the norm.

• *Moral.* Only when rodents and felines alike are hallucinated do rats chase cats. But let one rat catch one cat and the spell is broken; a caught cat means a dead rat!





17.

From Ideology to Mythology II

CLARENCE B. CARSON

MANY AMERICANS have come under the sway of a mythology which inclines them toward the promotion and acceptance of social reform. This mythology is purveyed as history, consists of what many people think has happened. This history-as-mythology does contain distortions and exaggerations, but it must be kept in mind that it is not a mythology simply because of these. Nor is it rescued from mythology by the number of facts which can be summoned to give it the appearance of validity; these are but grist to its mills. It is a mythology because it stems from a mental construct instead of reality, because it embodies ideologies.

Let us examine first the myth that the rich were getting richer

and the poor poorer in the latter part of the nineteenth century. However the myth arose, it was given a dramatic and effective formulation by Henry George. The idea is captured in the juxtaposition of words in the title of his most famous book, *Progress and Poverty*. The central thesis is presented in the following words:

And, unpleasant as it may be to admit it, it is at last becoming evident that the enormous increase in productive power which has marked the present century and is still going on with accelerating ratio, has no tendency to extirpate poverty or to lighten the burdens of those compelled to toil. It simply widens the gulf between Dives and Lazarus, and makes the struggle for existence more intense. The march of invention has clothed mankind with powers of which a century ago the boldest imagination could not have dreamed. But in factories where labor-saving

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

machinery has reached its most wonderful development, little children are at work; wherever the new forces are anything like fully utilized, large classes are maintained by charity or live on the verge of recourse to it; amid the greatest accumulations of wealth, men die of starvation, and puny infants suckle dry breasts; while everywhere the greed of gain, the worship of wealth, shows the force of the fear of want. The promised land flies before us like the mirage.¹

**Postulating the Problem
Without Regard for Facts**

These assertions can be phrased so as to make them into a problem, and it was as a problem that George, along with many other nineteenth century economists and would-be economists, treated them. They constitute a nice "problem" indeed! How can increasing productivity result in more and more poverty, or greater poverty? The problem can be dramatized by introducing some statistics, though George could not have been familiar with these. American farmers produced approximately 100,000,000 bushels of wheat in 1850; this had risen to 600,000,000 by 1900. They produced 4,590,000 bales of cotton in 1850, and 20,226,000 in 1900. Corn production increased

from 590,000,000 bushels in 1850 to 2,662,000,000 in 1900. This represented a considerable increase in productivity per acre generally, too, for land in cultivation had less than tripled.² The value of the annual product of manufacturing increased from approximately \$2 billion in 1860 to \$13 billion in 1900.³ This represented great increases in consumer goods. In 1859, men's clothing manufacturers turned out a product worth \$73,219,765; in 1899, they made a product worth \$276,861,607. The worth of the factory produce for women's clothing was 20 times as great in 1899 as it was in 1859. In 1849, flour and grist mill products were valued at approximately \$136 million; in 1899, this had increased to about \$560 million⁴. These figures represent increases in goods, rather than inflation. In fact, prices declined generally during the period under consideration. One writer notes that if wholesale prices be indicated by the figure 100 for 1860, they had fallen to 95.7 in 1890, and would decrease somewhat more during the next decade.⁵

² Henry B. Parkes, *The United States of America: A History* (New York: Alfred A. Knopf, 1953), p. 435.

³ *Ibid.*, p. 395.

⁴ Walter W. Jennings, *A History of Economic Progress in the United States* (New York: Thomas Y. Crowell, 1926), pp. 430-33.

⁵ *Ibid.*, p. 483-84.

¹ Henry George, *Progress and Poverty* (New York: Schalkenbach Foundation, 1955), p. 8.

It is difficult to see how this greater production and increasing productivity could result in increasing poverty. Of course, population might have increased faster than production (shades of Malthus!), though such resulting poverty could hardly have been attributed to the productivity. But it did not. The population of the United States was 23,191,000 in 1850; by 1900 it was 75,994,000. Population had a little more than tripled; production of staple agricultural products had quadrupled, quintupled, and sextupled, while the production of many manufactured products had increased in a much higher ratio than that. Again, these goods might have been shipped out of the country in return for foreign gold, thus shorting Americans of the goods they produced (though surely foreigners would have had a great bounty of goods). But the value of exports only trebled between 1866 and 1900, having fallen drastically during the Civil War.

Improving the Situation

There is no need, however, to wrestle with phantoms. The poor were not getting poorer generally in America. Such evidence as is available presents quite a different picture. Private production income (all income except that from government sources) increased from

about \$4 billion in 1859 to \$28 billion in 1914, and grew especially fast from 1869 to 1899. Per capita income, in terms of actual money, rose from \$134 in 1859 to \$185 in 1899. "Considering dollars of constant purchasing power, the increase was from \$285 to \$488 in the period between 1859 and 1914."⁶

It can be objected that no one receives the income per capita, that this is only an average, and that the increase might have only made the rich richer. This does not appear to have been the case. One historian estimates that the proportion of the income of Americans derived from wages and salaries rose relative to that from rent, interest, and so forth.⁷ At any rate, "the index of money hourly wages for men in all industries practically doubled between 1860 and 1890. . . . Since the index of commodity prices fell rapidly [that is, commodity prices fell, *not* the index] after 1865, the purchasing power of wages, 'real wages,' often attained a spectacular improvement."⁸ Samuel Gompers, head of the American Federation of Labor and one who should have known about such matters,

⁶ Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin, 1959), pp. 304-05.

⁷ Edward C. Kirkland, *Industry Comes of Age* (New York: Holt, Rinehart and Winston, 1961), p. 402.

⁸ *Ibid.*

was asked this question in 1900: "You would not agree to the statement sometimes made that the conditions of the working men are growing worse and worse?" His answer, "Oh, that is perfectly absurd."⁹

Where did this absurdity spring from? Some may suppose that it was drawn from earlier development, drawn, for example, from the "early stages of the Industrial Revolution" in England. This period has long been the whipping boy of reviewers of the horrors of industrialization. Horrors there may have been, but they could hardly have been the product of industrialization generally.

A competent and thorough economic historian, T. S. Ashton, has lately exorcised this demon from the pantheon of historical mythology. He says, "An historian has written of 'the disasters of the industrial revolution.' If by this he means that the years 1760-1830 were darkened by wars and made cheerless by dearth, no objection can be made to the phrase. But if he means that the technical and economic changes were themselves the source of calamity, the opinion is surely perverse." He points out that there were a great many more people to be fed and clothed at the time. Ireland did not solve this problem and consequently lost

much of her population. If England had followed the agricultural pattern of Ireland, he thinks that a like fate would have befallen her. Instead, "she was delivered, not by her rulers, but by those who, seeking no doubt their own narrow ends, had the wit and resource to devise new instruments of production and new methods of administering industry."¹⁰

The Labor Theory of Value

The roots of the progress-and-poverty notion do not lie in what happened (though the myth was no doubt assisted by interpretations of what happened); they lie rather in ideology. The seeds of the myth were planted, so far as I know, by David Ricardo, with an assist from Thomas Malthus. They were deeply embedded in economics for most of the nineteenth century. Ricardo held that the price of labor must ever and again fall to a level that will maintain workers at a bare subsistence of livelihood. He arrived at this conclusion by a grotesque bit of ideological hocus pocus. According to what is now called classical economics, to which Ricardo subscribed and contributed, commodities have a natural price (or value and a market

¹⁰ T. S. Ashton, *The Industrial Revolution, 1760-1830* (New York: Oxford University Press, A Galaxy Book, 1964), pp. 110-11.

⁹ Quoted in *ibid.*

price. The natural price is determined by the costs of production. The market price is determined by supply and demand. Under conditions of free competition, the market price will tend always toward the natural price.

Ricardo proceeded to apply this theory to the price of labor; that is, he ideologized by applying an abstraction about one phenomenon to an analogous one, ignoring the differences. The cost of production applied to labor came out as the cost of maintaining life. "The natural price of labor is that price which is necessary to enable the laborers, one with another, to subsist and to perpetuate their race, without either increase or diminution."¹¹ The market price of labor will fluctuate, he held, due to the operation of supply and demand. When wages rise above their natural level, he thought, population will increase because more life can be maintained. That is, the supply of labor will increase, thus driving the market price of labor down to the natural price, or even below it, for a time. In short, the price of labor will tend toward the subsistence level. Malthus maintained, of course, that population increase would inevitably outdistance any

increases in production. Thus was the "dismal science" loaded down with its freight of notions about continued and widespread poverty.

Later thinkers did not generally accept the demographic theories of the classicists. Moreover, there was a sloughing off of the philosophic dualism, of which natural price and market price were an extension, perhaps unwarranted. What was accepted by revolutionists and reformers was the existence of poverty. But as thinkers began to think in terms solely of a temporal context in which society was the pre-eminent reality, some of them began to attribute this poverty to the social system.

Exploitation According to Marx

We are now back to the original problem: How can increasing productivity result in continuing poverty? The problem was, of course, ideological, not actual, but ideologues abounded in the nineteenth century.¹² It is not logical, if the demographic theory is not accepted, that the great increase of goods made available by the use of machines should result in the maintenance of the status quo, or worse, in the material well-being of people. Surely, the goods had to be

¹¹ David Ricardo, "Principles of Political Economy," *The Age of Reason*, Louis L. Snyder, ed. (Princeton: D. Van Nostrand, 1955), pp. 153-54.

¹² It should be noted that an explanation of the demand for labor was eventually forthcoming that did not entail the dismal conclusions of Ricardo. It was the marginal utility theory.

consumed for there to be a market, and this should improve the situation, not make it worse. Something must be fundamentally wrong with the system. There must be hoarding, waste, unjust distribution, and so on.

Marx concocted the theory that it was the consequence of the exploitation of the workers by the bourgeoisie. So great was the exploitation, and so essential was production to capitalism, that capitalists must have periodic wars in order to dispose of or destroy the goods that they produced. Henry George thought that the problem arose fundamentally from land "monopoly," and that the private expropriation of the unearned increment on land led to poverty. Thorstein Veblen thought that some considerable part of the bounty made available by productivity was dissipated in conspicuous consumption by the wealthy. At any rate, men wove ideologies, envisioned cataclysms, and conceived of programs of reconstruction to right the wrongs that were supposed to be in the system.

These ideological constructs alone probably would not have been sufficient to attract many people into reform or revolution. Nor would it be fair to the intellectuals involved to suggest that they were simply led astray by ideology. There was poverty, hardship, suf-

fering, and malnutrition. In the latter part of the nineteenth century many children did work in factories. There were times of unemployment in industries; monetary wages did sometimes decline; debtors were hard hit by deflation. Some farmers did lose their farms; tenant farming was on the increase in many areas. Poverty has not disappeared in the twentieth century, nor is it likely that it ever will completely. Of course, this does not stem from increased productivity, nor from the system that makes it possible.

The Muckrakers

But the existence of poverty made it possible to embed the ideological preconceptions in mythology, that is, to describe poverty and implicitly attribute it to the system. This has, of course, been done. Muckrakers did it to great effect in the early twentieth century, but this has been done over the years, and is still being done. Instances of poverty and hardship have been told in lurid detail: pinch-faced children going off to work in factories, fathers with hungry families unemployed, men the victim of technological unemployment, the unsavory character of life in the slums. Some of the titles of books suggest the character of the indictment: Jacob Riis, *How the Other Half Lives* (1890);

Robert Hunter, *Poverty* (1905); John Spargo, *The Bitter Cry of the Children*; and Edwin Markham, *Children in Bondage*.¹³ One example from the stories told in such books should suffice. The one below is from an account of life in the slums in the latter part of the nineteenth century:

Enough of them everywhere. Suppose we look into one? No. — Cherry Street. Be a little careful please! The hall is dark and you might stumble over the children pitching pennies back there. Not that it would hurt them; kicks and cuffs are their daily diet. They have little else. Here where the hall turns and dives into utter darkness is a step, and another, another. A flight of stairs. You can feel your way, if you cannot see it. Close? Yes! What would you have? All the fresh air that ever enters these stairs comes from the hall-door that is forever slamming, and from the windows of dark bedrooms that in turn receive from the stairs their sole supply of the elements God meant to be free, but man deals out with such niggardly hand. That was a woman filling her pail by the hydrant you just bumped against. The sinks are in the hallway, that all the tenants may have access — and all be poisoned alike by their summer stench. . . . Here is a door. Listen! That short hacking cough, that tiny,

helpless wail — what do they mean? They mean that the soiled bow of white you saw on the door downstairs will have another story to tell — Oh! a sadly familiar story — before the day is at an end. The child is dying with measles. With half a chance it might have lived; but it had none. That dark bedroom killed it.¹⁴

Government Intervention

The origins of these conditions were, of course, "the system." Riis said, "We know now that there is no way out; that the 'system' that was the evil offspring of public neglect and private greed has come to stay, a storm-centre forever of our civilization."¹⁵ That is, tenements are a fixture; the only hope lay in amelioration. Among the things that Riis suggested might be done was that the "state may have to bring down the rents that cause the crowding, by assuming the right to regulate them as it regulates the fares on the elevated roads."¹⁶ The circle is completed with these suggestions: from ideology to mythology to reform. These stories of conditions are usually told in such a way as to suggest that only by government intervention can the situation be righted. If the wages of the poor are held down to the

¹³ See Louis Filler, *Crusaders for American Liberalism* (Yellow Springs, Ohio: Antioch Press, 1950), pp. 268-71.

¹⁴ Jacob A. Riis, *How the Other Half Lives* (New York: Sagamore Press, 1957), pp. 33-34.

¹⁵ *Ibid.*, p. 2.

¹⁶ *Ibid.*, p. 217.

subsistence level continually, there would be no way for them to get out of the slums and tenements.

Once government intervention got under way on a large scale, the character of the myth began to change. Now articles, stories, monographs, and textbooks began to present bright pictures of life in America. Happy children now play in uncluttered parks; families live in low-rent housing; farmers use bright new equipment; and workers are joyously bargaining collectively. The following are from captions under upbeat pictures and drawings in a recent textbook. They ascribe this fine state of things to government:

Senior citizens like these in Sun City, Arizona, are helped by their federal social security payments to live comfortably after retirement and to enjoy a variety of pleasure-time activities.

Federal grants of money assist cities in replacing slums with satisfactory low-rental dwelling units.

Reciprocal trade agreements with other countries aid in bringing loaded cargo ships to our ports.

Workmen have gained many benefits and services since the day in 1900 [caption to an unhappy sketch] when this luncheon counter exposed to dust and contamination, was used to provide a hot meal in the center of a machine shop.

Wheeler Dam, with its eight outdoor generators, is one of many dams

built by TVA to assist in flood control and provide cheap hydroelectric power for industries and residents in the Tennessee Valley.

With TVA's help, Tennessee farmers have learned the importance of fertilizing their soil [something that was once believed to have been taught to the early settlers in America by Indians]. With low-cost fertilizers produced by TVA plants, the soil has been built up and now yields profitable crops.¹⁷

There is still poverty, of course, according to the prevailing ethos, but it, too, has changed in character. It is "hard core" poverty, a variety which may be expected to yield ground before political ministrations, but only after an extended war upon it.

The poverty myth is only one of a large number of myths that make up the mythology. Space does not permit going into others in such detail. However, it is important to provide another example or so to demonstrate the process of mythologizing more adequately.

Competitive "Warfare"

One of the most pernicious of myths is the one that equates competition with war. The following may serve as a generic assertion of the myth: "Competition is of the nature of warfare; in warfare the

¹⁷ Lawrence V. Roth, et. al., *Living in Today's World* (River Forest, Illinois: Laidlaw, 1964, 2nd edition), pp. 267-76.

victory is with the strongest. . . ."¹⁸ The roots of this myth are traceable to a variety of ideological formulations: to the Malthusian concept of the pressure of population on the means of subsistence, to the Marxian notion of the class struggle, to the Darwinian idea of the struggle for survival and survival of the fittest, among others. The description of the rise of the bourgeoisie by Marx and Engels encapsulated this notion of competition-as-war in the revolutionary framework of their historicist eschatology; that is, they thrust it into the historical stream so that it could be mythologized as history. They said, "The bourgeoisie finds itself involved in a constant battle. At first with the aristocracy; later on, with those portions of the bourgeoisie itself, whose interests have become antagonistic to the progress of industry; at all times with the bourgeoisie of foreign countries."¹⁹

The next step, of course, was to find an actual instance of such conflict. J. P. Morgan and associates and Jim Fisk supplied the instance which became the classic example

in books on American history. It occurred in connection with the contest over control of the Albany & Susquehanna Railroad. The following is a summary of the battle that ensued:

The combat took ever new and fantastic turns. Feeling ran high. To end the deadlock, the Ramsey-Morgan party finally despatched a force of armed men, estimated by the press to be between 150 and 450 in number. . . . At the same time, an equally formidable mixed body of Erie's Bowery toughs and sheriff's deputies departed for battle from Binghamton behind their own engine. Outside of a long tunnel, fifteen miles beyond Binghamton, the enemy locomotives, whistling and tooting their bells wildly, breathing fire and fury, met in head-on collision. . . .

The warriors of both armies had all jumped off as the two steam chariots collided, and yelling defiance had fallen upon each other with clubs, spades, axes and firearms. But the Ramsey-Morgan thugs were the better armed, and the Erie soldiers soon had the worst of it. Retreating as fast as they could, tearing up tracks and destroying trestles, they went back toward Binghamton, where they barricaded themselves anew and called regiments of the National Guard to their rescue.²⁰

Such an occurrence is no more a

¹⁸ Washington Gladden, *Applied Christianity* (Boston: Houghton Mifflin, 1886), pp. 31-32. His particular reference was to the "conflict" between capital and labor.

¹⁹ Karl Marx and Frederick Engels, *The Communist Manifesto* in Eugen Weber, ed., *The Western Tradition* (Boston: Heath, 1959), p. 611.

²⁰ Matthew Josephson, *The Robber Barons* (New York: Harcourt, Brace, 1934), p. 139.

natural consequence of business competition than is rape of relations between the sexes, and probably less common, but it provided excellent propaganda for those under the sway of ideology. Writers with good imaginations could, and did, take facts, surmises, and interpretations about the behavior of businessmen and weave them into a picture of jungle life, red in tooth and claw. Henry Demarest Lloyd, perhaps the earliest of the muckrakers, writing in the latter part of the nineteenth century, declared: "We are still, part, as Emerson says, in the quadruped state. Our industry is a fight of every man for himself. The prize we give the fittest is monopoly of the necessities of life, and we leave these winners of the powers of life and death to wield them over us by the same 'self-interest' with which they took them from us."²¹

Matthew Josephson probably did the most thorough job of mythologizing competition-as-war in *The Robber Barons*. In this book, businessmen were likened to medieval barons, and the story is told in a framework and with the terminology drawn from medieval warfare. Note the martial language used to describe the actions of western railroad builders in the following:

²¹ Henry D. Lloyd, *Wealth against Commonwealth*, Charles C. Baldwin, ed. (Washington: National Home Library Foundation, 1936), p. 330.

Power such as they had foreseen but dimly came to the hands of the *empire-builders*. . . . By seizing one valley, or the passageway to it, they brought an adjacent one into their effective *control*, as the *medieval barons* had done of old. . . . Their network of branch lines was spread throughout the Pacific Slope, through the payment of proper *ransoms* by the communities which required such outlets as a matter of *life and death*. But more ingenious, the new *barons* who held the only overland route to the Pacific connected these lines with water-front facilities, which they, upon a large scale, *wrested* from the coast cities by the threat of extinction.²²

Similar terminology was used to describe the behavior of the oil men:

Tomorrow all the population of the Oil Regions . . . might rise against the South Improvement Company ring in a grotesque uproar. . . . But Rockefeller and his comrades had stolen a *long march* on their *opponents*; their *tactics* shaped themselves already as those of the giant industrialists of the future *conquering* the pigmies. *Entrenched* at the 'narrows' of the *mighty* river of petroleum they could no more be *dislodged* than those other barons who had formerly planted their strong castles along the banks of the Rhine could be dislodged by unarmed peasants and burghers.²³

²² Josephson, *op. cit.*, p. 88. Italics mine.

²³ *Ibid.*, p. 120. Italics mine.

This myth went into the warp and woof of history as many Americans were to understand it. Here is an example of it in a recent textbook.

Rockefeller flourished in an era of completely free enterprise. So-called piratical practices were employed by 'corsairs of finance,' and business ethics were distressingly low. Rockefeller, operating 'just to the windward of the law,' pursued a policy of rule or ruin. . . .

The Standard Oil Company was undeniably heartless, but its rivals were no less so in this age of dog-eat-dog competition. A kind of social-economic Darwinism seemingly prevailed in the jungle world of big business, where, in certain areas, only the fittest survived. . . .²⁴

The myth of competition-as-war has served over the years as the major propellant of government intervention, from antitrust legislation to fair trade laws to inspection acts to a great variety of other regulatory measures. It has even served as the basis of the interpretation of the coming of wars among nations as a result of trade competition. In short, the myth serves to promote reform.

²⁴ Thomas A. Bailey, *The American Pageant* (Boston: D. C. Heath, 1961, 2nd edition), p. 532. For a soberer evaluation of these men and events, see John Chamberlain, *The Enterprising Americans* (New York: Harper & Row, 1961-63), ch. 8.

"Privileges" to Business

One other myth will be examined with some little care. The examination of this myth is particularly instructive as to exaggerations and distortions involved in the making and purveying of myths. This myth has to do with the privileged position of business *vis à vis* government, with how businessmen were supposed to have been the beneficiaries of government largess, with how a plutocracy used government for its own ends, particularly in the late years of the nineteenth and the early years of the twentieth centuries. According to Vernon Louis Parrington, America was spread out upon a table like a great barbecue:

Congress had rich gifts to bestow — in lands, tariffs, subsidies, favors of all sorts; and when influential citizens made their wishes known to the reigning statesmen the sympathetic politicians were quick to turn the government into the fairy god-mother the voters wanted it to be.²⁵

Lincoln Steffens proclaimed that businessmen corrupted government:

Another such conceit of our ego-tism is that which deplores our politics and lauds our business. This is the wail of the typical American citizen. Now, the typical American citizen is the business man. The typical business man is a bad citizen; he is busy.

²⁵ Parrington, *op. cit.*, p. 23.

If he is a "big business man" and very busy, he does not neglect, he is busy with politics. . . . I found him buying boodlers in St. Louis, defending grafters in Minneapolis, originating corruption in Pittsburgh, sharing with bosses in Philadelphia, deploring reform in Chicago, and beating good government with corruption funds in New York. He is a self-righteous fraud, this big business man.²⁶

"Grants" to Railroads

The most common example of this sort of thing cited in histories is the one about government grants and subsidies for the building of the railroads. Now there were land grants from the United States government (and indirectly, or directly, from state governments) made for the building of some railroads, and there were loans made also. However, the extent and character of this has been greatly exaggerated and distorted generally. Some years ago, Colonel Robert S. Henry examined the treatment of these loans and grants in 37 American history textbooks. A few of the books gave an approximately correct description or account of the land granted. But, for example, "eight others show the area granted . . . as anywhere from

nearly one-fifth more than it was, up to about four times the correct area. . . . Others make neither arithmetical nor graphic presentation of the area granted, but rely entirely on adjectives. In most of the books, in fact, such adjectives as 'huge,' 'vast,' 'enormous,' 'staggering,' and 'breath-taking' are parts of the treatment of the subject of area. . . ." He points out that less than 8 per cent of the railroad mileage in the United States was built by land grant aid from the United States government. "The fact that more than 92 per cent of all the railroad mileage in the United States was built without the aid of an acre of Federal land grants is nowhere brought out in the texts examined. . . ."

A similar exaggeration was made in the texts regarding loans. The loans made were to be repaid with interest. Virtually all of the principal was eventually repaid, along with a large sum of interest. "Thirty-four of the thirty-seven texts examined mention the bond aid to these Pacific roads. In one-third of the works, it is not made clear whether the financial assistance referred to was a loan or a gift. Three describe the aid definitely as gifts — which they were not. Twenty-one refer to the transactions as loans, but only four mention the fact that the loans were repaid, while three make the posi-

²⁶ Lincoln Steffens, *The Shame of the Cities* (New York: Young People's Missionary Movement, 1904), p. 5.

tively erroneous statement that the loans were never repaid.”²⁷

Such is the fabric of exaggeration, distortion, misstatement, error, and ignorance by which a myth has been bolstered and purveyed. This myth early served as a basis for demands for governmental regulation of the railroads. It may even have added to the appeal of the perpetual socialist agitation in the late nineteenth and early twentieth centuries for government ownership of the roads. It certainly contributed to the “image” of the railroads as villains.

The Growth of Myths

The above are only a sampling of the myths that have been and are given currency. There is the myth of the class struggle read into American history, the myth of the “people” as an originative force, the myth of the connection between increasing government intervention and progress, the myth of the conservative businessman who is opposed to change and progress, the myth of the spontaneous rise of labor unions in response to oppression, the myth of the role of the environment in perpetuating poverty, the myth about the United

States being a democracy, and so on.

There is even an extensive myth to the effect that older American beliefs were myths: for example, the “myth of the self-made man,” the “myth” that the budget should be balanced, the “myth” that saving and frugality are economically useful, and the “myth” that private initiative and free enterprise account for American economic productiveness. In the 1930’s, Thurman Arnold published a book called *The Folklore of Capitalism* in which he castigated the beliefs of Americans as articles of faith, superstitions, myths, and folklore. By 1956, the book had been through fourteen printings! Myths have been got up which inhibit the exploration and exposure of the mythology of reform: the myth of the “extreme right,” the myth of the Red Scare, the myth of McCarthyism, and so on.

Platform for Reform

In short, an ethos has been developed, spread, and more or less accepted which promotes continuous reform by the use of government power. This mental framework has become the angle from which millions of Americans see things. They have imbibed it by way of a mythology which they have supposed was history. A language was developed, along with

²⁷ Robert S. Henry, “The Railroad Land Grant Legend in American History,” *Issues in American Economic History*, Gerald D. Nash, ed. (Boston: D. C. Heath, 1964), pp. 324-25. The article was originally published in 1945.

the mythology, which has been used to evoke it to promote reform measures. The language consists of such terms and phrases as "labor," "agriculture," "privileged," "underprivileged," "monopoly," "oligopoly," "economic royalist," "robber barons," "profiteers," "hoarders," "black marketeers," "vested interests," "extremists," "unearned increment," "social surplus," "general welfare," "malefactors of great wealth," "absentee ownership," "conspicuous consumption," "right winger," "neanderthals," "sweat shop," "rent-lord," "speculator," "anti-intellectual," "witch hunter," and so on. The terms used change somewhat over the years, depending upon the standing of reform among the American people and what is conceived to be the immediate danger to the continuation of reconstruction.

Finally, it should be noted that a mythology is much more difficult to deal with than an ideology, and a much more effective way to draw people generally under its sway. An ideology consists of ideas; it can be examined; the ideas can be refuted if they are false. But when an ideology has been embedded in a mythology, and this has become widely accepted, many people will

not even know that their beliefs are rooted in ideologies. They think that what they believe is simply the way things are, or have been. That government action can produce prosperity, for instance, will not be thought of as rooted in ideology but as something that has historically happened. Moreover, it is much easier to manufacture myths than it is to give a valid historical account; one needs only to examine such evidence as seems to prove his point, read his view of things into the account, and make it come out according to the mythological or ideological version one starts with. There is also the near certainty that the process of exploding myths and giving more accurate and valid historical accounts will proceed much more slowly than mythmaking, be much less dramatic, and probably occur after the object for which the myth existed has been obtained.

At any rate, a mythology has been formed and spread in America. The attitudes and beliefs of many Americans have been shaped in conformity with it. The minds of men have been remade. It is this mythology that promotes the continuous reform efforts. It is this that has catapulted us into the Age of Meliorism. ♦

The next article in this series will treat of "The Origins of Reform Methods."

Sacrilege and Cupidity

A PLEA FOR PERSPECTIVE

M. E. BRADFORD

THE SOCIAL GOSPEL is old hat. Its shiny newness has long since worn away; and even in theological circles it has experienced an embarrassing interrogation. But it is by no means dead. After apologizing for the doctrinal excesses of some of its early champions, and after developing a new and conciliatory idiom for use on the theological and political conservative, it now sits comfortably in the councils of Christendom, its essentially political and utopian character effectively masked. Television programs and books have been recently devoted to its resurgent influence. And, in fact, that influence has never been diminished. All we can say is that, for a time, it was checked. The heterodox order of priorities it represents has long been a pulpit commonplace. And it is with reference to that order of priorities that I here propose to examine

and define the origin of social gospel as a political force. For it is this politics *cum* faith that presents American conservatism with its most serious challenge.

It is by no means easy to debate with men who insist they speak for God. American liberalism (whose theological voice the social gospel is) has always had a plentiful supply of adherents who speak for God; and they have, I am sorry to admit, had no monopoly in this business of sacrilege; American politicians of various persuasions have claimed a pipeline to the deity. By now American conservatives should have learned that this is a degrading strategy — and that the very nature of their position makes it difficult, if not impossible, for them to “play the game” this way. And what is more important, they should have learned how to answer the latter-day bogus “thus saith the Lord,” on its own theological ground.

Mr. Bradford is assistant professor of English at Northwestern State College of Louisiana at Natchitoches.

The Rhetoric of Love

The backbone of the popular brand of the social gospel is what I call "the rhetoric of love." Its argument goes something like this: "God is love; God has given us (we, the liberals) a clear definition of what he means by love; those who oppose what we urge are the enemies of love." No normal American will admit that he is against love (or deficient in it); and the American conservative, when charged with such an enormity will "crawfish," "hedge," or perhaps try to "outlove" his opponent. In brief, he will do anything but insist that there is such a thing as an excess or misplacement of love. He knows in his bones that man is indeed prone to excess in all things (including love); and a reluctance to indulge excessive impulses is part of what we mean by conservative. But he is unwilling to examine political and philosophical sentimentalism (by definition, expression of emotion out of proportion to its occasion) in its theological dimension. And he must do so if he is not to fall victim to the rhetoric of love.

The good old theological name for this excessive or misdirected love is cupidity; it was the original sin and has, since Adam put the love of Eve before the love of God, been among the most frequently repeated. And it is the

error into which good men and true fall most readily. Assuredly, it is the sin into which the social gospel should lead us through the rhetoric of love. For this rhetoric makes no distinction among the objects of love. It sees all objects as equally worthy and thus abolishes all order of priorities in our obligations.

For example: American grants of aid to free nations may at times prove wise, necessary, or even successful. But the conservative maintains that the virtue of any foreign aid program is conditioned by its effect on our economic and military posture. The rhetoric of love may call for greater and greater largess in the name of humanity; but the theologically-grounded answer to its insistence is that our obligations to preserve our own economy, and with it our capacity to assist and protect those nations which depend upon our strength, is greater than our obligation to relieve completely any single nation in its distress. When compassion outreaches judgment, cupidity is the result. And the political voice of the social gospel is short on judgment.

It is with reference to a form of the doctrine of cupidity that we may define excessive liberty as license, excessive tolerance as indifference, excessive or forced equality as anarchy. In its name

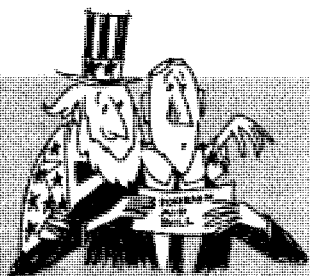
we may, in the face of the rhetoric of love, reject sociological, sentimental juggling of the letter and intent of the law done in the name of "civil rights"; impious "non-violence" in the streets done in the name of brotherhood; and surrender of national sovereignty called for in the name of world unity. For it is cupidity to put even the honest demands of minority groups for redress of grievances they "suffer" before the maintenance of the integrity of a constitutional system or a hard-won and slowly evolved social order. And it is even more of an inversion to surrender national sovereignty in the name of world peace when only our sovereign strength preserves that peace.

**Love Some Persons or Things
More than Others**

None of the answer to the social gospel is very difficult. Most of it may be had out of Aristotle, John Adams, Calhoun, or Burke. But the best reply to the rhetoric of love is a general theological reply. We must love some things, some men, more than others. The love of God and of the general well-being of a number of men often precludes the perfect love of individual men. Our obligation to our own family or "clan" is greater than our obligation to the faceless multitude. As Burke said, "No

cold relation is a zealous citizen. We begin our public affections in our families." Our obligations move outward in a circle from the near to the remote. For if we undermine the ground of our own being, our integrity and capacity to act responsibly in our own proper affairs, we are of no use to any man.

Thus replied to, the social gospel — which I suspect grew out of the clergyman's deep-seated distrust of providence and the "other-worldly" promise of his own faith — returns to its place; and then the pulpit ceases to be a political tool of a "this-worldly" eschatology based on a denial of the transcendental character of the faith it should draw upon for support. Thus answered, the sacrilegious mask of the rhetoric of love can be torn from the face of the quasi-totalitarian liberal will-to-power, and the conservative can return the dialogue of American politics to a ground where the odds are in his favor. For without the advantage of his mask, the politico *cum* prophet is merely the aggressor in a power struggle, not the "agent of the Lord." And even though they may differ about the merit of various programs for achieving the common good, Americans and other civilized Westerners do not like a bully — especially a sanctimonious bully! ♦



The Fallacy of FOREIGN AID

HENRY HAZLITT

THE ADVOCATES of foreign aid believe that it helps not only the country that gets it but the country that gives it. They believe, therefore, that it promotes worldwide "economic growth." They are mistaken in all these assumptions.

I should make clear at the beginning that when I refer here to foreign aid I mean government-to-government aid. Still more specifically, I mean government-to-government "economic" aid. I am not considering here intergovernmental military aid extended either in wartime or peacetime. The justification of the latter will depend, in each case, only partly on economic considerations, and mainly on a complex set of political and military factors.

It ought to be clear, to begin with, that foreign aid retards the economic growth and the capital development of the country that grants it. If it is fully paid for out of taxes at the time it is granted, it puts an additional tax burden on industry and reduces incentives at the same time as it takes funds that would otherwise have gone into new domestic investment. If it is not fully paid for, but financed out of budget deficits, it brings all the evils of inflation. It leads to rising prices and costs. It leads to deficits in the balance of payments, to a loss of gold, and to loss of confidence in the soundness of the currency unit. In either case foreign aid must put back the donor country's capital development.

All the consequences just described have occurred in the

Mr. Hazlitt is the well-known economic and financial analyst, columnist, lecturer, and author of numerous books.

United States. In the last twenty years American foreign aid has reached the stupendous total of \$115 billion. As the public debt has increased from \$259 billion at the end of 1945 to \$321 billion now, this means that \$62 billion of this foreign aid was in effect paid for by borrowing and by inflating the currency, and \$53 billion by added taxation. Without the foreign-aid handouts we could have avoided both the inflation and the added taxation. We could have avoided both the cumulative deficit of \$27 billion in the balance of payments and the loss of \$9 billion gold in the last eight years. Today, American "liberals" are talking about all the billions we ought or will need to spend to extend and improve our roads and highways, to improve and increase our housing and to rehabilitate our blighted cities, to combat air pollution and water pollution, to bring more water to the cities and to turn salt water into fresh. The \$115 billion that went into foreign aid would have covered practically all the improvements in this direction that most of these "liberals" are demanding.

The Pump-Priming Argument

We sometimes hear it said by American advocates of foreign aid (and we very frequently hear it said by many of the foreign recip-

ients of our aid, and *always* by the communists) that the U.S. has got great economic advantages out of its foreign aid program. We desperately need "outlets" and "new markets" for our "surplus." We must give part of our goods away, or give foreigners the dollars with which to buy them, to keep our factories going and to maintain full employment. This program was even necessary, according to the communists, to "postpone" the "inevitable collapse" of capitalism.

It should not be necessary to point out that this whole argument is unmitigated nonsense. If it were true that we could create prosperity and full employment by making goods to give away, then we would not have to give them to foreign countries. We could accomplish the same result by making the goods to dump into the sea. Or our government could give the money or the goods to our own poor.

It ought to be clear even to the feeblest intelligence that nobody can get rich by giving his goods away or making more goods to give away. What seems to confuse some otherwise clearheaded people when this proposition is applied to a nation rather than an individual is that it is possible for particular firms and persons within the nation to profit by such

a transaction at the expense of the rest. The firms, for example, that are engaged in making the exported foreign-aid commodities are paid for them by the aid-receiving country or by the U.S. government. But the latter gets the money, in turn, from the American taxpayers. The taxpayers are poorer by the amount taken. If they had been allowed to keep it, they would have used it themselves to buy the goods they wanted. True, these would not have been precisely the *same* goods as those that were made and exported through the foreign-aid program. But they would have supplied just as much employment. And Americans, rather than foreigners, would have got what was made by this employment.

Buying Friends

"Yes," it may be conceded, "all of this may be true; but let us not look at the matter so selfishly, or at least not so nearsightedly. Think of the great blessings that we have brought to the aid-receiving countries, and think of the long-run political and other intangible gains to the United States. We have prevented the aid-receiving countries from going communist, and the continuance of our aid is necessary to continue to keep them from going communist. We have made the recipient coun-

tries our grateful allies and friends, and the continuance of our foreign aid is necessary to continue to keep them our grateful allies and friends."

First, let us look at these alleged intangible gains to the United States. We are here admittedly in the realm of opinion, in the realm of might-have-beens and might-be's, where proof either way is hardly possible. But there is no convincing evidence that any of our aid-recipients that have *not* gone communist *would* have done so if they had not got our economic aid. Communist Party membership in aid-receiving France and Italy did not fall off; in fact it has shown a tendency to increase in both countries with increasing prosperity. And Cuba, the one country in the Western Hemisphere that *has* gone communist, did so in 1959 in spite of having shared freely in our foreign aid in the preceding twelve years. Cuba had been favored by us, in fact, beyond all other countries in sugar import quotas and other indirect forms of economic help.

As for gaining grateful allies or even friends, there is no evidence that our \$11 billion of lend-lease to Russia in World War II endeared us to the Russian leaders; that our aid to Poland, Yugoslavia, Indonesia, and Egypt

turned Gomulka, Tito, Sukarno, or Nasser into dependable allies; that it has made Gaullist France, or India, Mexico, Chile, Laos, Cambodia, Bolivia, Ghana, Panama, Algeria, and scores of other nations that have got our aid, into our grateful friends.

On the other hand, there *is* good reason to suspect that our aid has often had the opposite effect. Countries have found that whenever they look as if they are in danger of going communist they get *more* American aid. This veiled threat becomes a recognized way of extorting more aid. And the leaders of governments getting our aid find it necessary to insult and denounce the United States to prove to their own followers that they are "independent" and not the "puppets" of "American imperialism." It is nearly always the U. S. embassies and information offices that periodically get rocks thrown through their windows, not the embassies of countries that have never offered any aid.

Humanitarian Motives

"Still," it may be (and is) objected, "to mention any of these things is to take a shortsighted and selfish point of view. We should give foreign aid for purely humanitarian reasons. This will enable the poor nations to con-

quer their poverty, which they cannot do without our help. And when they have done so, we will have the reward of the charitable deed itself. Whether the recipients are grateful to us or not, our generosity will redound in the long run to our own self-interest. A world half rich and half poor is an unsafe world; it breeds envy, hatred, and war. A fully prosperous world is a world of peace and good will. Rich nations are obviously better customers than poor nations. As the underdeveloped nations develop, American foreign trade and prosperity must also increase."

The final part of this argument is beyond dispute. It is to America's long-run interest that all other countries should be rich and productive, good customers, and good sources of supply. What is wrong with the argument is the assumption that government-to-government aid is the way to bring about this desired consummation.

The quickest and surest way to production, prosperity, and economic growth is through private enterprise. The best way for governments to encourage private enterprise is to establish justice, to enforce contracts, to insure domestic peace and tranquillity, to protect private property, and to secure the blessings of liberty, in-

cluding economic liberty — which means to stop putting obstacles in the way of private enterprise. If every man is free to earn and to keep the fruits of his labor, his incentives to work and to save, to invent and invest, to launch new ventures, to try to build a better mousetrap than his neighbor, will be maximized. The effort of each will bring the prosperity of all.

Under such a system more and more citizens will acquire the capital to lend and invest, and will have the maximum inducement to lend and invest at home. Very quickly more and more foreigners will also notice the investment opportunities in (let us call it) Libertania, and their money will come in to speed its development. They will place their funds where they promise to earn the highest returns consonant with safety. This means that the funds will go, if the investments are wisely chosen, where they are most productive. They will go where they will produce the goods and services most wanted by productive Libertanians or by foreigners. In the latter case they will produce the maximum exports, or "foreign exchange," either to pay off the investment or to pay for the import of the foreign goods most needed.

The surest way for a poor na-

tion to *stay* poor, on the other hand, is to harass, hobble, and straitjacket private enterprise or to discourage or destroy it by subsidized government competition, oppressive taxation, or outright expropriation.

Socialism versus Capitalism

Now government-to-government aid rests on socialistic assumptions and promotes socialism and stagnation, whereas private foreign investment rests on capitalistic assumptions and promotes private enterprise and maximum economic growth.

The egalitarian and socialistic assumptions underlying government-to-government aid are clear. Its main assumption is that the quickest way to "social" justice and progress is to take from the rich and give to the poor, to seize from Peter and give to Paul. The donor government seizes the aid money from its supposedly over-rich taxpayers; it gives it to the receiving nation on the assumption that the latter "needs" the money — not on the assumption that it will make the most productive use of the money.

From the very beginning government-to-government aid has been on the horns of this dilemma. If on the one hand it is made without conditions, the funds are squandered and dissipated and

fail to accomplish their purpose. But if the donor government attempts to impose conditions, its attempt is immediately resented. It is called "interfering in the internal affairs" of the recipient nation, which demands "aid without strings."

In the twenty expensive years that the foreign aid program has been in effect, American officials have swung uncertainly from one horn of this dilemma to the other — imposing conditions, dropping them when criticized, silently watching the aid funds being grossly misused, then trying to impose conditions again. But now American officials seem on the verge of following the worst possible policy — that of imposing conditions, but exactly the wrong conditions.

President Johnson has announced that our future foreign aid will go to those countries "willing not only to talk about basic social change but who will act immediately on these reforms." But what our aid officials appear to have in mind by "basic social change" is to ask of the countries that receive our grants, not that they give guarantees of the security of property, the integrity of their currencies, abstention from crippling government controls, and encouragement to free markets and free enterprise, but that they

move in the direction of government planning, the paternalistic state, the redistribution of land, and other share-the-wealth schemes.

Land Reform Measures

The so-called "land reform" that our government officials are demanding has meant and still means destroying existing large-scale agricultural enterprises, dividing land into plots too small for efficient or economic cultivation, turning them over to untried managers, undermining the principle of private property, and opening a Pandora's box of still more radical demands.

Socialism and welfare programs lead to huge chronic government deficits and runaway inflation. This is what has happened in Latin America. In the last ten years the currency of the Argentine has lost 92 per cent of its purchasing power; the currency of Chile has lost 94 per cent; of Bolivia 95 per cent; of Brazil 96 per cent. The practical consequence of this is the expropriation of wealth on a tremendous scale.

Yet, a United States Senator, recently demanding "land reform" and ignoring this history, made it a charge against the rich in these aid-receiving nations that they do not "invest in their own economies" but place their funds

abroad. What he failed to ask himself is *why* the nationals of some of these countries have been sending their funds abroad or putting them in numbered accounts in Switzerland. In most cases, he would have found that it was not only because no attractive private investment opportunities were open to them at home (because of burdensome controls, oppressive taxes, or government competition), but because they feared the wiping out of their savings by rapid depreciation of their home currencies, or even the outright confiscation of their visible wealth.

The Benefits?

In the last twenty years foreign aid has made American taxpayers \$115 billion poorer, but it has not made the recipients anything like that much richer. How much good has it actually done them? The question is difficult to answer in quantitative terms, because foreign aid has often been a relatively minor factor out of the scores of factors affecting their economies.

But the advocates of foreign aid have had no trouble in giving glib and confident answers to the question. Where, as in Western Europe and Japan, our aid has been followed by dramatic recovery, the recovery has been attributed wholly to the aid (though

just as dramatic recoveries occurred in war-torn nations after World War I when there was no aid program). But where our aid has not been followed by recovery, or where recipient nations find themselves in even deeper economic crises than they were before our aid began, the aid advocates have simply said that obviously our aid was not "adequate." This argument is being used very widely today to urge us to plunge into an even more colossal aid program.

A careful country-by-country study, however, shows pretty clearly that wherever a country in recent years (such as West Germany) has reformed its currency, kept it sound, and adhered in the main to the principles of free enterprise, it has enjoyed a miraculous recovery and growth. But where a country (such as India) has chosen government planning, has adopted grandiose socialistic "five-year plans" arbitrarily directing production into the wrong lines, has expanded its currency but kept it overvalued through exchange controls, and has put all sorts of restrictions and harassments in the way of private enterprise and private initiative, it has sunk into chronic crises or famine in spite of billions of dollars in generous foreign aid.

As Charles B. Shuman, presi-

dent of the American Farm Bureau Federation, recently put it, the one common denominator in virtually all the hungry nations has been "their devotion to a socialist political-economic system — a government-managed economy. The world does not need to starve if the underdeveloped areas can be induced to accept a market price system, the incentive method of capital formation — competitive capitalism."

Our conclusion is that government-to-government foreign aid, as it exists at present, is a deterrent, not a spur, to world economic prosperity, and even to the economic progress of the underdeveloped recipients themselves.

Wasteful Projects

This is true partly because of the very nature of foreign aid. By providing easy outside help without cost, it often fails to encourage self-help and responsibility. Moreover, government-to-government economic help almost inevitably goes to *government* projects, which frequently mean socialized projects, such as grandiose government steel mills or power dams.

It is true that there are many economic services, such as streets and roads, water supply, harbors, and sanitary measures, that are usually undertaken by govern-

ments even in the most "capitalistic" countries, yet which form an essential basis and part of the process and structure of all production. Foreign as well as domestic funds may legitimately go to governments for such purposes. Yet intergovernmental aid is likely to channel a disproportionate amount of funds even into such projects. If governments had to depend more on domestic or foreign *private investors* for these funds, less extravagant projects of this nature would be embarked upon. Private investors, for example, might lend more freely for toll roads and bridges, and similar projects that promised to be self-liquidating, than for those that yielded no monetary return. As a result, the recipient government's planners would make more effort to put their roads and bridges where the prospective use and traffic would prove heavy enough to justify the outlay.

In addition to the conditions in the very nature of government-to-government aid that make it on net balance a deterrent rather than a spur to private enterprise and higher production, there is the recent disturbing trend in the attitude of American aid officials, who have begun to insist that underdeveloped nations cannot get more aid unless they adopt "land reform," planning, and other so-

cialistic measures—the very measures that tend to retard economic recovery.

Conditions for Private Investment

If our aid program were now tapered off, and the underdeveloped nations had to seek foreign private capital for their more rapid development, the case would be far different. Foreign private investors would want to see quite different reforms. They would want assurance (perhaps in some cases even guarantees) against nationalization or expropriation, against government-owned competition, against discriminatory laws, against price controls, against burdensome social security legislation, against import license difficulties on essential materials, against currency exchange restrictions, against oppressive taxes, and against a constantly depreciating currency. They would probably also want guarantees that they could always repatriate their capital and profits.

Foreign private investors would not *demand* the active cooperation or an enthusiastic welcome by the government of the host country, but this would certainly influence their decision considerably. In fact, foreign private investors, unless the would-be borrowers came to them, would not *demand* any conditions at all. They would

place their funds where the deterrents and discouragements were fewest and the opportunities most inviting.

What the anticapitalistic mentality seems incapable of understanding is that the very steps necessary to create the most attractive climate for *foreign* investment would also create the most attractive climate for *domestic* investment. The nationals of an underdeveloped country, instead of sending their money abroad for better returns or sheer safekeeping, would start investing it in enterprises at home. And this domestic investment and reinvestment would begin to make foreign investment less and less urgent.

It is unlikely that reforms in the direction of free enterprise will be made by most socialistic and control-minded countries as long as they can get intergovernmental aid without making these reforms. So a tapering off or phasing out of the American aid program will probably be necessary before a private foreign investment program is launched in sufficient volume.

A More Hopeful Alternative

I should like to renew here a suggestion for an interim program that I put forward a few years ago.¹ This is that, from now on

¹National Review, May 6, 1961.

out, economic foreign aid would be continued solely in the form of loans rather than grants. These would be hard loans, repayable in dollars. They would bear interest at the same rate that our own government was obliged to pay for loans of equal maturity — as of today, say about $4\frac{1}{2}$ per cent. They would be repayable over not more than twenty-five to thirty years, like a mortgage. Like a mortgage, they would preferably be repayable, principal and interest, in equal monthly or quarterly installments, beginning immediately after the loan was made.

Such loans would not be urged on any country. The would-be borrowers would have to apply for them. They would be entitled to borrow annually, say, any amount up to the amount they had previously been receiving from us in grants or combined loans and grants.

All these requirements would be written into law by Congress. Congress would also write into law the conditions for eligibility for such loans. Among such conditions might be the following: The borrowing government would have to refrain from any additional socialization or nationalization of industry, or any further expropriation or seizure of capital, domestic or foreign. It would undertake to balance its budget, beginning,

say, in the first full fiscal year after receiving the loan. It would undertake to halt inflation. The borrowing government, for example, might agree not to increase the quantity of money by more than 5 per cent in any one year, and not to force its central bank to buy or discount any increased amount of the government's own securities. The borrowing government might be required to dismantle any exchange controls. In brief, the borrowing country and government would be obliged to move toward the conditions that would be necessary to attract private domestic or foreign capital.

Anticipated Consequences

My guess is that the mere requirement for repayment of principal and interest, to begin immediately, would in itself probably reduce applications for aid to about a third of the amounts we now pay out. The other conditions of eligibility would probably cut the applications to a sixth or a tenth of these amounts. For the borrowing governments would have to think twice about the advisability of projects for which they would have to start paying themselves. Projects would tend to be reduced to those that were self-liquidating, *i.e.*, demonstrably economic.

The borrowing nations could

not complain that we were trying to interfere in or to dictate their domestic economic policies. These would merely be the conditions of eligibility for loans. The borrowing nations would be neither forced nor urged to borrow from us. The American administrators of the foreign loan program would not be authorized either to dictate or remove any conditions or to discriminate among borrowers. In any case, their discretion should be very narrowly circumscribed.

The benefits of such a program would be many and obvious. It would immediately cut down drastically the outflow of American funds in foreign aid. Most of the aid that we granted through such loans would be repaid with interest. We would not be courting foreign favor. The would-be borrowers would have to come to us, openly. We would cease, as now,

to subsidize and expand foreign socialism.

I should make it clear that I am not proposing such a program for its own sake, but as a purely transitional measure to phase out our existing foreign-aid program with the least possible disturbance, disruption, or recrimination. This scaled-down lending program might run for, say, a maximum of three years. At the end of that time it could easily be terminated. For meanwhile the borrowing governments, and particularly private enterprises in their respective countries, would have created an attractive climate, and would have become attractive media, for both domestic and foreign private investment.

In such a revitalized capitalistic climate the improvement in world economic conditions might even become spectacular. ♦

IDEAS ON LIBERTY

First Principles

EVERY MAN should expend his chief thought and attention on the consideration of his first principles: are they or are they not rightly laid down? and when he has sifted them, all the rest will follow.

PLATO, *Cratylus*



The Macro Malady*

LEONARD E. READ

HAD NAPOLEON been asked to sit atop the Cosmos and manage everything in interstellar space, probably he would have demurred on the grounds that such an assignment was beyond his competence. Yet, he unhesitatingly strove for a role no less pretentious: managing millions of human beings, *each of whom is as phenomenal as the Cosmos itself*. A

**Macro*: meaning large; comprising the universe; as distinguished from the individual components. *Macro economics*, for instance, refers to the economy as a whole without relation to the individual components. The term recently has come into popular use for what might otherwise be called the economics of collectivism, the centrally planned economy, the welfare state, with emphasis on national income, social progress, full employment, and the like, instead of private property, freedom of choice, self-responsibility, and other aspects of individualistic "micro economics."

In earlier times, macro economics had its equivalent in tribal custom, feudalism, mercantilism, and other variants of collectivism.

master at his specialization—coercion—he was grossly ignorant of the limits of his wisdom. Knowing so much in so narrow an area, and being unaware of his limitations, led him to assume a role for which no man—not even a Napoleon—has any competence whatsoever.

Napoleon was a "macro." Historically, he and his ilk have been the exceptions. Most people have been "micros." While victimized by authoritarianism, they have nevertheless been content to wrestle with social problems of the micro sort. That's the way the past reads to me.

But the picture changes! Millions upon millions of people are now presuming to settle problems that are over their heads—macro problems. This accounts, in no small measure, for our headlong return to coercive collectivism. At least, this is my thesis.

A typical case in point: A noted

biologist, extrapolating population trends, predicts that there will be one billion billion of us on earth *no further in the future than the Norman Conquest is in the past*—“... some 120 persons per square yard of the earth's surface . . .”¹ This, of course, is a horrendous statistic! But the nub of the matter is that the biologist has taken on a problem that's over his head. Such would be the case even were he limiting himself to the problems of our nation at the present moment. This scientist, however, takes on the social problem of the whole world, and some centuries hence! Now, how does this biting off of more problems than one can chew lead to coercive collectivism? Listen to one of the several suggested remedies:

... a program in which everyone is temporarily sterilized (perhaps with a substance added to water supplies or staple foods) will be necessary. This would make positive action, in applying for and taking an antidote, necessary before reproduction.

¹ See “The Biological Revolution,” *Stanford Review*, September-October, 1965.

Predicting the future by extrapolation can easily lead to fantastic conclusions, points out Dr. Henry Margenau, Yale physicist. By projecting the rate of increase in the number of scientists against general population trends we would have more scientists in 2000 A.D. than people!

Mass sterilization! The only way to have a baby is to apply for an antidote, a drug that will restore fertility. Who is to possess this permit-granting authority? Not the scientist; he won't be here. The answer is that a government official will decide who is or is not to be born. Would an Abe Lincoln be given dispensation of life by this political god? Booker T. Washington? Sam Goldwyn? You? I? The biologist himself? Shades of 1984!²

The above, while somewhat startling and sensational, is no less out-of-bounds than Napoleon atop the Cosmos, or any more far-fetched than millions of Richard Does and Joe Doakeses who now take on social problems bigger than they are and end up by turning the problems over to government for solution. Joe Doakes, who votes in favor of a resolution for the government to finance the local hospital, is in exactly the same category as the biologist—each trying to focus on a problem that is beyond his competence.

What has brought on this rash of macro addicts? Nearly everyone trying to solve problems bigger than the would-be problem solvers? Perhaps we can put our finger on the reason.

² I refer to George Orwell's book, *1984*, his nightmare vision of England's future.

Reflect on my farmer grandfathers. The social problems they dealt with — welfare, security, prosperity — were of a size befitting their mentalities; they thought in micro terms — that is, they did their thinking in terms of the few individuals with whom they had acquaintance and whose needs could be personally judged. Grandfather operated within an orbit of 7-10 miles radius; a trip to "the city," some 50 miles away, was as much of an occasion as one of my trips to London. Frankly, grandfather didn't know of any "need" except what he personally scanned. His communication with and vision of the nation or the world never went beyond a stint in the Civil War, a macro event. Unless a neighbor's barn were on fire, in which case everyone within seeing distance lent a hand, "need" wasn't much in evidence except for the now-and-then peripatetic beggar or hobo. In his micro-vision orbit just about every family looked out for itself; self-reliance was in the driver's seat. These people knew each other too intimately to fool each other. Pretense seldom reared its head.

What we should keep in mind is the fact that America's era of micro vision broke all the world's records for security, welfare, prosperity. Governor Bradford of the Plymouth Colony, when comment-

ing on the results of dropping coercive collectivism, in effect the macro madness of the Old World, wrote:

... any generall wante or famine hath not been amongst them since to this day.

Following that momentous decision in 1623, there has been no famine or involuntary starvation in our land for over three centuries.

However, we must not, in this analysis, give too much credit to our grandfathers. By and large, our ancestors had no more capacity to think for themselves or to see beyond the surface of things than do their progeny who now people this country. Those who cannot think for themselves — ancestors, or us — must, perforce, respond to their environment.

How the environment has changed! Replacing grandfather's little world of micro vision is a brand new world of television, radio, telephone, astro vision, world-wide news coverage in daily papers, magazines, books; we hop in an auto and see America; we board a jet and view the world — in a word, macro vision.

Of a sudden — one might say, without warning — grandfather's progeny are constantly having dinned into their heads all the "needs" of all the people on earth. Appalachia is no less an intimate

and pressing need today than was a bucket brigade to put out grandfather's fire. Distressed areas, backward countries the world over, foreign ideologies and isms, Negro unrest at home and in far-away Africa, all the poor farmers and all the suffering wage earners, prices for steel, aluminum, copper (the list grows), the cotton surplus, downtowns deserted for shopping centers, the threatening efficiency of the Japanese, the vanishing gold supply, the weakness of the pound sterling, water famine on the Hudson, getting to the moon "because it's there," Russian sputniks — you name it — are problems which most Americans now feel they must find solutions for.

Grandfather had to figure out how to milk his sick friend's cows as well as his own; I have to contrive ways to get all of mankind out of the mess it's in; I do unless I can see beyond the surface of things and, thus, not let my micro mentality be drawn into tackling macro problems.

Why Do They Do It?

Those persons who cannot see beyond the surface of things — their number is legion — take on problems bigger than they are and, as a consequence, push us into coercive collectivism, that is, into the all-powerful state. But

we may never understand why this is true, why they act as they do, unless we can effect a self-induced blindness equal to their myopia, until we bring ourselves to seeing no more than they now see.³ In short, we can explain them only as we put our own vision into reverse and back up to where they are — put ourselves in their shoes, as the saying goes.

With this mental gymnastic accomplished, what is it we no longer see? We now cannot see any efficacious results that could possibly flow from thinking in micro terms. A leading labor official put it clearly and succinctly:

Only a moron would believe that the millions of private economic decisions being made independently of each other will somehow harmonize in the end and bring us out where we want to be.⁴

³ For further exploratory reading on this point, see the chapter, "What Is Seen and What Is Not Seen" in *Selected Essays on Political Economy* by Frederic Bastiat (Princeton: D. Van Nostrand Co., Inc., 1964), pp. 1-50.

Or, on the same subject, read the chapter, "The Broken Window" in *Economics in One Lesson* by Henry Hazlitt (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1962), pp. 15-16.

⁴ See *The New York Times*, June 30, 1962.

For an extended explanation of why the labor official's view is false, see the chapter, "Incomprehensible Order" in my book, *The Free Market and Its Enemy*. (Irvington N.Y.: The Foundation for Economic Education, Inc., 1965), pp. 50-67.

The implication here is clear. The labor official, not being able to see any possibilities in micro economics (the free market), can see no solution to social problems except through the political implementation of macro economics. That he in his blindness refers to free market see-ers as morons is only because the term is stronger than extremists, crackpots, nuts. There is nothing new or strange in this. Most of us have a tendency to regard as slightly tetchy the connoisseur of any speciality about which we know nothing.

I use the labor official as a prototype only because he expresses his blindness more brilliantly than do the vast majority of citizens who are in his unseeing state. The labor official simply does not see what a few at least dimly perceive.⁵ However, the fault may be as much with us as with him. Free market see-ers aren't able to throw enough light on the matter. Indeed, some of "us" entertain a doubt now and then about the free market being adequate to the occasion — mail delivery, for instance. Or monopoly, or disaster, or education. Who among "us" has no blind spots?

There is no man, present or past, who achieves more than a micro

mentality. As the distinguished French scientist, Lecomte du Noüy, put it, "Man's image of his universe is founded on less than one-trillionth of the vibrations which surround him." In any event, our inability to recall a single see-all, know-all, individual should make this affirmation self-evident. No one of us ever sees more than a wee fragment of the whole universe, of another person, or even of the whole self.

Now suppose a person — such as the labor official — is unable to see how ordinary mentalities focused on micro problems, if left free to act independently of each other, could possibly attend to social and economic problems. Remember, we have put ourselves in his position. Blindfolded thus, we can see no opening to the free market (micro) avenue — none whatsoever!

What to do? Surely, there are macro problems galore. One avenue, and one only, appears open to us; a macro-solving formula. Having only micro mentalities ourselves, we don't quite know how to solve a macro problem. So, how are micro mentalities to be made into macro-problem solvers? What's the formula? This is the question we must, in our self-induced blindness, ask ourselves.

Our answer? Thoughtlessly, and for the most part, we turn the macro problems over to govern-

⁵ For an explanation of what one micro thinker sees, refer to my chapter, "The Miraculous Market," *Ibid.*, pp. 6-21.

ment. But, by this process, what is it we really do? We do no more than give the macro problems to micro mentalities with but one ingredient added: *a police force!* Reduced to its essence, we give micro thinkers the gun power of a constabulary on the naive assumption that this renders a competency to cope with macro problems. We add only force — not one iota of wisdom — and feel relieved by how intelligently, neatly, efficiently we discharge our responsibilities! This is the view we get when we cannot see beyond the surface of things.

The blindfold having served its purpose, let's remove it. The fallacy of the above course of action, and the unjustified sense of accomplishment, are immediately apparent when we distill what we have done to micro dimensions: you and me.

Let us say that you are insufficiently secure and prosperous. What can I do to ameliorate your plight? I can give or loan you something that is mine or, perhaps, give you some helpful counsel. Isn't it obvious that my assistance cannot be increased by forcibly imposing my will on you? What can I do with a gun that I can't do better without one? Nothing whatsoever! For, surely, you won't sanction my employing this coercive means to take from others

and give to you. Not in a you-and-me micro situation, you won't. But if you start thinking in macro terms you will — as do millions.

No plague has ever destroyed or impoverished or kept from self-realization more human beings than has the macro malady. The pilgrims who starved and died during the three years after landing at Plymouth Rock were its victims. Several million Russians perished during 1931-32 at the hands of macro thinkers — not by men playing God but by men playing against God.⁶ Every soldier who loses his life on the battlefield dies of the macro malady — micro men undertaking macro roles.

Causes of War

Any observer can see that wars, the preparation for them, and their aftermath, lead toward the total state, that is, toward more governmental takeover and an increasing number of macro problems. But only those who can see beyond the surface of things can see that when a people collectivize in a power organization — socialism, authoritarianism, the welfare state, the planned economy — in short, when they "macronize,"

⁶ William Henry Chamberlin was in Russia at the time of this enormous disaster. See his article, "State Economic Planning: Tragedy or Futility," *THE FREEMAN*, January, 1966, p. 27.

wars become possible, indeed, more than likely. Men in a free market, a people who limit themselves to micro problems — acting individually and in response to free choice — do not make war; they create and trade! Just as do the people in the abutting states of Illinois and Wisconsin, so will any people who, when free of busybodies, tend to mind their own business.

We cannot help concluding that the macro malady is but the social and economic manifestation of a vicious circle: macro organization brings on wars, and wars make macro problems which, in turn, compel us into macro organization.

Inflation helps to make the point. This dilution of the medium of exchange is the fiscal outcome of excessive government, that is, of macro organization. And what are the solutions? One control atop another: price, wage, rent, interest, production, exchange, all of which are of macro dimensions.⁷

The water famine on the Hudson is now a macro problem arising from macro (socialistic) organization.⁸ I see no point in extending the list; it is clear, if we

focus the eye aright, that micro mentalities, when trapped into macro-problem solving, contaminate society with mankind's most destructive disease: the macro malady.

The Remedy

What, then, is the remedy for the macro malady; how do we get ourselves out of this vicious circle? The answer, it seems to me, is simple enough but, in our world of macro vision, difficult to put into personal practice.

Perhaps the wise Socrates gave us the cue when he said, in effect, "That man thinks he knows everything, whereas he knows nothing. I, on the other hand, know nothing, but I know that I know nothing." The first step, it seems, is to recognize that "I" — no matter who — am a micro mentality and, thus, incapable of coping with or solving macro problems. In short, when asked how to solve macro problems, I must learn to tell the truth: "I don't know."

The next step is to realize that no other person, regardless of pretensions or the amount of force at his disposal, possesses anything beyond micro mentality himself and is no more capable of solving macro problems than I am. Required is a penetrating skepticism: trust no man beyond his infinitesimal area of competence;

⁷ See "The American Setting: Present and Past," in my *Anything That's Peaceful* (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1964).

⁸ See "Water Famine on the Hudson," *THE FREEMAN*, September, 1965.

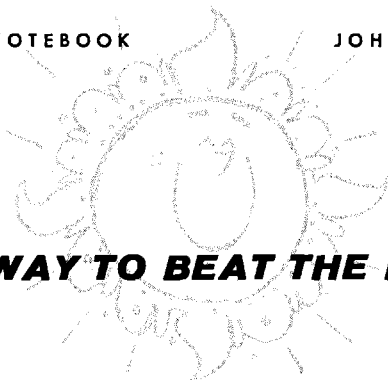
hold him to the very little he knows.

When enough of this kind of realistic skepticism exists, we will have no more truck with "pretenders to the throne." Only then may we begin to see slightly beyond the surface of things, at least beyond what the aforementioned labor official can see: *the therapeutic power of freedom*. True, "millions of private economic decisions made independently of each other" may not bring us out where *he* wants us to be; but this micro, free market, individual, freedom-of-choice process will bring millions of people as close to where *each of them* wants to be as is possible. There is a distinction.

As stated above, the nearest approximation of the micro approach ever practiced broke all the world's records for security, welfare, prosperity, and the release of creative human energy. The argument that this worked all right in a simple economy but is inapplicable in a complex economy does not hold water. The more complex the economy the more must the micro way of life be relied upon. For, as the complexity of the economy increases, man's ability to manage it correspondingly diminishes. No self-respecting individual will concede to any other person the competency to manage his own crea-

tive life for him. Think, then, how absurd it is to expect a competency to direct the complex arrangement involving millions of lives!

The micro approach — each person operating within the limits of his knowledge and competence — should require no theorizers; its record is so remarkable and profuse. Those of us who are privileged to apprehend its performance know full well that its practice will put an end to macro problems. There'll be no more water famine on the Hudson, for instance, than there is a famine in chickens, or cornflakes, or mink coats. Only micro problems will remain: each person trying to figure out how best to improve his own little world in free and voluntary cooperation with others. Problems will fit the problem solvers and, thus, find such resolution as each is capable of. When individuals attempt to solve problems over their heads, they are in a wild and dangerous guessing game, like children trying to explain what makes the world go round, and with the power to impose on the rest of us the vagaries of their imagination. But when individuals are at work on problems of their own size, they will be at their best as problem solvers; they will, as we say, come to themselves. ◆



THE WAY TO BEAT THE HEAT

WHEN ADAM SMITH wrote his *Wealth of Nations*, he had North America very much on his mind. The British colonies along the North Atlantic littoral had been thriving in spite of the prevailing mercantilist philosophy. Wages were high because land was cheap and the pull of the frontier made city labor scarce. Smith read a lesson in this which helped make the nineteenth century the freest of all time.

Now, almost two centuries later, Mogens V. Hermann, a Denmark-born economist and statistician, has applied *Wealth of Nations* criteria to the modern world with the tropics very much on his mind. His *Contribution and Reward* (Exposition Press, \$6.50) might be called an exercise in geoeconomics, for it seeks to determine what monsoon rains, enervating heat, and such diseases as malaria and dysentery, do to affect the energies of men. His conclusion is that hot-

country geography can be overcome by the application of classical economic principles only with difficulty. But even though the virtues of hard work, self-reliance, avoidance of waste, thrift, and a knowledge of one's own assets may be hard to perceive in a steaming and superheated atmosphere, they are still a better bet than letting the "government" dominate the picture with forced industrialism, "nationalization" of foreign enterprises, and a series of Five-Year plans.

Experience in the Tropics

Mr. Hermann's credentials as an adviser to tropical nations are sufficiently impressive to make *Contribution and Reward* a "must" reading in such variegated places as the Congo, South Vietnam, and the Dominican Republic. A graduate in economics, statistics, and law at the University of Copenhagen, he served in Danish government

offices and in the Danish army for two years. Thus he knows the advantages and defects of state-administered systems from experience at an impressionable age. Following his military training, he became a statistician for the State Bank of Ethiopia, where he domesticated the idea of compiling monthly statistics. Still pursuing a career in the tropics, his next job was as Assistant Chief of the Department of Economic Research for the Banco Central de Honduras, where he worked on such immediately relevant topics as evaluations of foreign companies and the balance of payments. In the early nineteen fifties he was sent by the International Monetary Fund to reorganize the National Bank of Nicaragua. Then, before taking up his current occupation as a currency analyst in New York City, he studied the problems of Thailand, Malaya, and the Philippines for the International Bank for Reconstruction and Development.

It is as important to mention all this in connection with *Contribution and Reward* as it is to stress Adam Smith's observation of the workings of the corn laws and the herring bounty when one is talking about the attack on mercantilism in the *Wealth of Nations*. Mr. Hermann draws his theoretical conclusions from an experience that is practically unique for an

economist born in the temperate zone. He knows how men in the tropics feel.

Historically, the idea in the tropics has been to "beat the heat." One does this best by letting other people do the work. Hierarchies, aristocracies, and ruling priest-hoods were based on the idea that idleness was a superior virtue. The clever man tried to corner enough land to support serfs who could yield him a life of luxury. Priests studied their parishioners' means with an eye to where the gift of a chicken or a handful of cereals might be expected. The social levels became stratified, and the expectations of peasants were dulled by a daily contact with an agriculture that knew little about the use of fertilizers or insecticides or better seeds.

The North Sets Examples of Law and Order

Mr. Hermann, in his own extensive travels, has observed that the incursion of temperate zone "colonial exploiters" in tropical lands has had good effects in countering the "beat the heat" mentality. India benefited by the administrative training and example brought by the British. The Filipinos, after two or three generations' contact with Americans, are better prepared to live in the modern world than, say, the Ethiopians, who were

never conquered. This is not an argument for "colonialism"; it is merely an explanation that the tropics would do well to imitate northern methods of administration and a northern view of the desirability of "law and order."

But even in lands where colonial administrators and enterprisers have provided examples of the virtues of hard work and avoidance of waste, the old "beat the heat" tradition hangs on as "freedom" takes over. Education becomes a fetish with the emerging tropical nations, but it is not the sort of education that is needed to combat the notion that the clever man lives by the work of others. The idea is to go to school long enough to be trained as a planner in a semi-socialistic system, then take a job with a Fabian government that has wangled a "spectacular" such as a steel mill or a big dam as "foreign aid." The "educated" Fabian won't care that the steel mill won't have much of a domestic market, owing to the absence of small metal-working shops and retailers. He won't care that farmers who know little about soil nutrition aren't in the market for steel plowshares or tractors. The idea that an economic system must grow out of a score of small enterprisers who mesh their needs, their skills, and their ideas will be anathema to the "educated" planner with a background

in the sort of economics taught by the late Harold Laski.

Mr. Hermann admits that a semi-socialistic "planning" government in the tropics can offer short-term advantages to an electorate that has had "one man, one vote" for at least one time around. Technical aid from abroad will come in to put native labor to work building the "spectacular." Some ideas about the organization of an enterprise will rub off on local people. But a government-owned spectacular will offer a haven for political appointees. It won't have to show a profit. (In Mexico, the "nationalized" oil industry, "Pemex," has been regarded as a fertile field for stowaway berths for anyone supporting the "revolution.")

A Vicious Circle

What the "planner" won't see is the private investment that "government" industry and the threat of "nationalization" have scared away. They won't see that the "educated" class have been siphoned off by the high "social overhead" imposed by the very existence of big bureaucracies. People with brains will be pushing paper at the capital, not designing new small businesses out in the provinces. High taxation will be encouraged to pay for the planners' retinues. And inflation will bother nobody in a government that can raise its own

salaries as its paper money floods the market.

Mr. Hermann has a theory that history is a matter of pendulum swings. A mercantilist age will give way to the age of Adam Smith. Then, in the space of a few generations, the Marxists and the Fabians will begin to have their way. But Marxism and Fabianism, he thinks, must lead to disillusionment, for socialism yields inferior production. In Europe "indicative planning" is still popular. But Marxism is losing its good repute, and the "indicative planners" are

more inclined to accept the necessity of a market that is at least 50 per cent free.

So, as Mr. Hermann sees it, the pendulum is swinging back toward *Wealth of Nations* ideas. The swing will probably take some time to reach the tropics. But when Mr. Hermann, in humble tones, says that God would not have led him "on a guided tour of certain widely separated areas" without a "purpose," he does not doubt that, even in the tropics, common sense is bound some day to take over. ♦

► **INTRODUCTION TO POLITICAL SCIENCE** by Oscar H. Ibele (New York: The American Press, 1964), 810 pp. \$7.50.

► **HISTORY OF POLITICAL PHILOSOPHY** edited by Leo Strauss and Joseph Cropsey (Chicago: Rand McNally & Company, 1963), 790 pp. \$8.50.

Reviewed by Edmund A. Opitz

A UNIVERSITY PROFESSOR of sociology, generally regarded as at the top of his trade, proclaims himself "a man of the Left." And he believes that this is "a nation in which Leftist values predominate." This observation appears to hold true of the academy, at any rate, and especially of the departments

of social science; economists, sociologists, and political scientists incline more in the direction of the welfare state than toward the market economy and the free society. Many of the most widely-used college textbooks reflect this prevailing bias. A professor of political science who leans toward the conservative-libertarian position is a rare bird, and still rarer is a competent and comprehensive textbook of political science. Professor Ibele of Kent State University is not "a man of the Left," and his book is an excellent introduction to politics.

This volume is designed for an introductory political science course, and it has emerged from

the author's long experience teaching the subject to college students. It is mainly descriptive and analytical. There's no sound of an ax being ground in the background; the facts and ideas are permitted to speak for themselves as the student learns some of the arguments for limited government and free market theories. He is also, of course, exposed to an exposition of other philosophies of society which hold millions of people in their sway.

The student gets a brief background of the history of government, a description of the governments of other nations, good coverage of our own form of government in theory and practice, the workings of our systems of law, international politics, and much else. Now a textbook is not exciting reading, but the general reader might find this a useful book to have on his shelves for browsing

and consultation. Each of its thirty-two chapters has a bibliography, and the extensive index means that topics can be readily located.

The Strauss-Cropsey book is a handsome anthology consisting of thirty-three essays on the great political philosophers from Plato on down, written by twenty-eight authors. Most of the influential names in Western political thought are here, and the discussion is high level and expert. The individuality of the authors is not curtailed, but a certain unity of treatment is attained because these authors form part of what might be called The Strauss School, that is to say, they are students and associates of the venerable Leo Strauss, University of Chicago political philosopher. This constitutes recommendation enough for any book! ♦

WHEN YOU CHANGE YOUR ADDRESS

We'll find out about it eventually, so why not tell us in advance? Otherwise, there's postage on THE FREEMAN you missed, plus more postage to locate you, plus still more to send another copy.

And it may be your money! Write to:

THE FREEMAN, Irvington-on-Hudson, N. Y.

NEW INDIVIDUALIST REVIEW

"The net result of our urban renewal program has been increased cost of housing for the poor and the destruction of the livelihoods of hundreds of small businessmen. . . . As the minimum wage rate has been raised, more and more people have been laid off who were not worth the higher wage rate. . . . We would have less instability if the Federal Reserve Board stopped toying with the supply of money."

THESE are some of the conclusions of an article by Prof. Yale Brozen, of the University of Chicago, in a recent issue of NEW INDIVIDUALIST REVIEW. On the basis of the latest research, Prof. Brozen documents the failure of government intervention in many fields — including agriculture, utilities, power and transportation.

NEW INDIVIDUALIST REVIEW attempts to present articles of a high calibre, in non-technical language, on all aspects of the individualist, limited-government philosophy. Our contributors have included Ludwig von Mises, F. A. Hayek, Milton Friedman and many other established authorities, as well as articulate libertarian college students and instructors. Articles from NEW INDIVIDUALIST REVIEW have been reprinted in *The Freeman*, *The Wall Street Journal* and *Barron's*.

A year's subscription (4 issues) is \$3.00 (students, \$1.50). A sample copy is available on request. FREEMAN readers who subscribe now will receive a reprint of Prof. Brozen's article, cited above.

NEW INDIVIDUALIST REVIEW

Dept. B., Ida Noyes Hall

University of Chicago, Chicago, Ill. 60637

Please enter my subscription for one year
at \$3.00 Students, \$1.50

NAME _____

ADDRESS _____

IF STUDENT: SCHOOL _____

YEAR OF GRADUATION _____

THE *Freeman*



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

AUTOMATION AND JOBS

■ There are persons who regard it as a great disaster when they hear that 150,000 persons in our spinning works now produce as much yarn as could hardly be spun with the little handwheel by 40,000,000.

These people appear to cherish the absurd opinion that if there were no machines, manufacture would really give employment to as many millions as now; nor do they reflect that the whole of Europe would be inadequate for all this work; and that in that case a fifth of the whole population would need to be occupied with cotton-spinning alone! Both experience and reflection teach us just the contrary; and we should certainly maintain that, if we still had to spin by the handwheel today, cotton manufacture would employ only a fifth of the present number.

EDWARD BAINES, *History of the Cotton Manufacture in Great Britain*, 1835

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE Freeman

IDEAS ON LIBERTY

MARCH 1966

Why Humans Must Be Free V. Orval Watts 3

The Flight from Reality:

18. The Origins of Reform Methods . . . Clarence B. Carson 8

The Moral Foundation of Freedom . . . Ralph W. Husted 23

To the Gallows Vermont Royster 33

Lord Gifford's Legacy Edmund A. Opitz 36

Today's Robber Barons K. Fritz Schumacher 42

The Fiasco of Urban Renewal Martin Anderson 46

Books:

Mercantilism Invites Corruption John Chamberlain 60

Other Books 63



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



ADAM SMITH vs. KARL MARX

by Joe Crail, President of Coast Federal Savings

A New, FREE Offer

Are the Capitalism and Socialism of today what Smith and Marx had in mind? Read what President Joe Crail says about the men, the systems and his "new prophecy a la Marx."

This important new look at the world's state of affairs is offered free of charge by Coast Federal Savings as part of a continuing program.



COMPOUNDED DAILY, your savings
earn 4.97% when held one year at cur-
rent rate of 4.85%, paid semi-annually.

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

COAST FEDERAL SAVINGS & LOAN ASSOCIATION

Department FM, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of President Crail's "Adam Smith vs. Karl Marx" speech.

NAME(S) _____
(please print)

- ☐ I enclose my check (or money order) for \$ _____

Please open a Coast Federal Savings account

STREET _____

- ☐ Individual ☐ Joint

in the name(s) of

CITY _____ STATE _____

IN THIS ISSUE

- ✓ "Man fulfills his Creator's purpose only as he develops the power to know and choose good and reject evil." p. 3
- ✓ Dr. Carson, in this chapter, traces the development of the methods of reform employed in the Flight from Reality. p. 8
- ✓ A businessman explains why successful private enterprise requires spiritual and political, as well as economic, freedom. p. 23
- ✓ Governments that persist in deficit financing of profligate spending are bound to blame their victims for the consequent rise of prices. p. 33
- ✓ The Reverend E. A. Opitz scholarly reviews Lord Gifford's legacy — The Gifford Lectures. p. 36
- ✓ An old friend of the "iron horse" explains how tax authorities have discriminated against the railroads. p. 42
- ✓ Professor Martin Anderson documents chapter and verse in the long record of failure in governmental efforts at Urban Renewal. p. 46
- ✓ In Clark Mollenhoff's **Despoilers of Democracy**, John Chamberlain finds ample documentation for his distrust of overgrown bureaucracy p. 60
- ✓ **Life Without Prejudice**, by the late Richard Weaver, is reviewer Thornton's book-of-the-month p. 63

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

THE *Freeman*

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

MARCH 1966

Vol. 16, No. 3

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

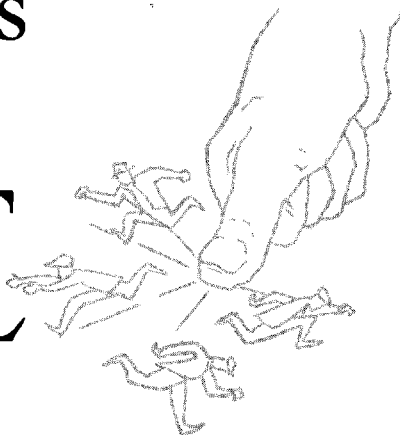
Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "Why Humans Must Be Free," "The Flight from Reality," "To the Gallows," and "The Fiasco of Urban Renewal."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

WHY HUMANS MUST BE FREE



V. ORVAL WATTS

HUMANS DEVELOP their human qualities, they prosper and progress, as individuals exercise their powers of choice and recognize responsibility for their own acts.

This is why government cannot promote human progress except as it establishes freedom, which is the political condition for voluntary action.

For humans are not only purposive and inner-directed, as all living creatures are. They are also self-controlling. They choose their purposes and their methods for pursuing their purposes. They gain human quality only as they exercise this power of choice and learn to use it skillfully — that is, *wisely*.

Dr. Watts is Chairman of the Division of Social Studies at Northwood Institute, a private college dedicated to the philosophy and practice of free enterprise. This article is from lecture material for his course: *Survey of American Life and Business*.

Other creatures pursue purposes largely dictated by built-in reflexes and instincts. By instinct a bird seeks out certain kinds of food, builds its nest, preens its feathers, flies north in the spring and south in the fall. By instinct a hen scratches for food, and by instinct and conditioned reflexes a lion stalks its prey.

But man acts according to ideas which he himself fashions and selects in much the same way that he makes his clothing and selects his food.

True, he has certain reflexes and a few vague instincts. These take care of some of his more basic needs, such as his need for air and water — if he permits them to do so. But he may, if he chooses, recondition his own reflexes and act completely contrary to his instincts. Thus, expert swimmers

and divers learn new breathing habits, and Hindu yogis learn to control even their heart beats.

Man gets his controlling ideas by using the evidence brought him by his senses. But he himself determines what senses he will use, how, when, and where he uses them, and what ideas he forms concerning the sensations they bring him. He may close his eyes and refuse to see what is before him, or he may reject what he sees as useless or unreal.

And as he sifts and reworks the data supplied him by his senses, he forms patterns of ideas, values, and purposes which govern his actions.

Man Is Responsible

Because of this power of self-control, man is not only *accountable* for his acts, he is *responsible* for them. Like every other creature, he is accountable in that he must suffer penalties for error as he enjoys the rewards for being wise and efficient. But he is also responsible for his acts, in a way that others are not, in the sense of being "answerable as the primary cause, motive, or agent." (*Webster's Unabridged Dictionary*) For each individual human being can act or refuse to act as he wills, and whether he acts wisely or foolishly depends on ideas which only he, individually, can control.

It is true that a man may try to evade his responsibility by claiming that others compel him to act as he does. But as long as a person retains his human faculties, he remains self-controlling. When a bank teller obeys the command of an armed bandit and surrenders the bank's funds, we may excuse him on the ground that his employers and the bank's depositors do not expect him to risk his life by refusing. But he is nevertheless responsible for his act in that he chooses to make the surrender. We recognize this fact when we condemn a similar surrender by a guard who has pledged himself to resist such coercion.

Would we hold blameless the father who killed his child at the command of an armed thug? Then neither can we hold irresponsible any person who yields to intimidation, even though we agree that discretion is often better than valor.

Not the Same Purpose

We should realize, however, that when a person yields to a threat of violence, his self-determined purpose is to avoid the violence rather than to accomplish the purpose of his assailant. If he wanted to do what his would-be masters command him to do, no violence or threat of injury would be necessary. When violence or intima-

tion is necessary to make men act, it is because the victims of it have purposes contrary to the purposes of the aggressors.

No external force can change either these purposes or the ideas from which they spring. They can be changed only by the will of the *person who is to act*. If the victim of violence chooses to act as his assailant directs, he does so, not because he has adopted his assailant's purpose, but in order to accomplish the quite different purpose of avoiding the threatened injury.

Force Can't Control Purpose

It is this inescapable conflict of purposes that makes slavery, the "planned society," and the "welfare state" destructive of human values and character. The purpose of the slave masters may be to get certain work done. The purpose of the government officials may be to improve the understanding and character of their subjects. But increasingly, as time passes, the subjects of the coercion seek to escape from the threat of violence.

Fear of a master's lash or of a communist firing squad, for example, may cause men for a time to go through certain dictated motions, but these motions do not make efficient farmers. Instead, the private purposes of those who suffer from the coercion cause in-

creasing inefficiency in pursuing the masters' purposes because these private purposes of the victims have to do with escape, resistance, or retaliation. These private purposes are the ones which enlist the victims' will and ingenuity. They are the only ones which *the victims can pursue with energy or skill*.

The final result depends on the victims' ideas about how they may best escape the threatened violence. They may decide on open flight or resistance, or they may choose secret sabotage and slowdowns. If they decide that all flight or resistance is hopeless, they are likely to feel increasing fatigue and depression ("laziness") when at work, with the gradual atrophy of will and initiative, along with increasing desires for the wasteful dissipation, or "vice," that characterize people long subject to enslavement and tyranny. To his report of a strike of trolley-car workers in Lodz, Poland, a few years ago, the Warsaw correspondent of *Newsweek* added these comments:

The complaints of Lodz are echoed everywhere except among the peasants who have benefited from Gomułka's de-collectivization policy. In the cities, low living standards, desperate consumer-goods shortages, and hopelessness over the future all combine to throttle initiative. Walk-

outs and work stoppages are on the increase. Thievery and drunkenness are rampant. Absenteeism runs as high as 30 per cent. Apathy characterizes the Polish worker. As a leading intellectual put it: "Grayness has entered our spirit."

Forced Goodness Turns into Evil

Other victims of communist "planning" show similar evidences of demoralization. Says Mihajlo Mihajlov, Yugoslav lecturer at Zagreb University, writing of his recent experiences as an exchange student in Moscow:

In each district there is a *vytrevvitelj*, a dispensary for sobering up drunks. . . . A liter of vodka costs as much as six long-playing records, and I cannot understand where all the drunks come from, yet at night you often meet drunks. . . .

In the outlying sections of town, it is dangerous to go into the streets at night despite numerous patrols of *druzhinniki*, the special people's militia. (*The New Leader*, March 29, 1965, p. 4.)

If a man is to become an efficient farmer, he must want to farm, and he must recognize his responsibility for doing the things necessary to produce the crops. The slave can never become an efficient farmer if his real purpose is to avoid the lash rather than to raise crops, for it is to his private purpose that his thoughts and ingenuity turn even when he is unaware of the fact.

Similarly, when a person or group tries to compel others to be charitable, industrious, or thrifty, the victims of the coercion lose their sense of personal responsibility for acquiring these virtues. Deprived of opportunity to use and develop their human qualities of self-direction, they revert toward the animal level. At this lower level, they become more like domesticated cattle, lacking ingenuity, enterprise, and reasoning ability. Or, they may become as intractable as the tiger, the zebra, or the polar bear.

Says Mihajlov in the articles on Soviet Russia mentioned above: "Never was and never will anything be created in a man by force. Fortunately, as Berdyaev [Russian philosopher whose works are on the communist "black sheet"] says: 'Truth makes man free, but man must freely accept the Truth, he cannot be forced to accept it. Forced goodness is no longer good; it turns into evil.'" (*The New Leader*, June 7, 1965, p. 6.)

The Limits of Government's Power

Now, government is an agency for compulsion. Men organize it and use it only to apply force and threat of force against their fellows. As a means for applying force, it can imprison or execute wrongdoers, recover stolen property, punish fraud, and repel in-

vaders. In short, it can do to or for humans whatever force and violence can do: hurt them, restrain them, destroy them, take from them things they prize, or make them fear it will do one or more of these things to them.

As it uses its force to combat thieving, gangsterism, rioting, and armed invasion, government can free producers from interference. The more effectively it thus prevents such interference, the greater is the output of goods, and the greater are the revenues government can get for its own uses.

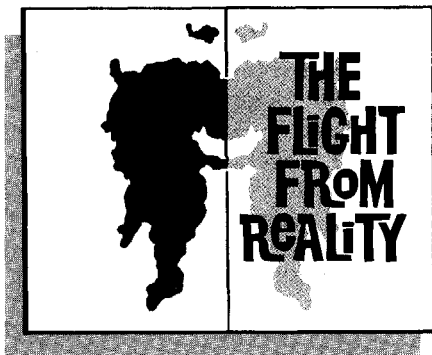
It is this service to producers that explains whatever production and progress we observe in the relatively more socialistic countries, such as Soviet Russia and Yugoslavia. The price (in terms of meddling and spoliation) which the rulers charge producers for their services in these more or less enslaved nations is exorbitant but not quite prohibitive.

Beyond this protective service to producers, government coercion not only has no usefulness, but it actually works to limit and reduce government's power. For, as it bullies producers in its effort to direct their labor and to get more production from them, it restricts their output and so reduces the flow of goods from which the government gets its own coercive weapons and manpower.

Such government bullying of producers has this effect because no external force can form a man's ideas or determine his purposes. No force or threat of violence, legal or illegal, can inspire the desire to do good or the will to do evil. It cannot make men compassionate, thrifty, foresighted, or industrious. It cannot awaken their sense of responsibility.

In short, force, violence, and intimidation cannot make bad men good or good men better. For no man is merely clay to be molded by his fellows, whether they be government officials, teachers, employers, or his neighbors. Nor is he a machine for going through certain prescribed motions at the command of any master or government.

Instead, man fulfills his Creator's purpose only as he develops the power to know and choose good and reject evil. The compulsions of the welfare state can no more develop this power in its subjects than riding men about in wagons can make them into long-distance runners or star football players. Every human being's progress depends on the amount of effort that he himself exerts in pursuit of good purposes. Among the essential conditions for this effort are the opportunities, the risks, and even the obstacles, of freedom. ♦



18.

The Origins of Reform Methods

CLARENCE B. CARSON

THERE IS NOT, to my knowledge, any thorough historical study of the origins of reform methods. References to this subject are apt to be casual; for example, that Marx did not tell precisely how a country went about achieving communism. This absence of careful study is the more amazing in view of the tremendous amount of scholarly activity in this century, accelerated by the increasing numbers of students undertaking and completing doctoral work. Revolutionaries, reformers, and their assorted "isms" have come in for a great deal of study, of course. But the focus of such studies has usually been upon ideas and ideologies, their origin, development, and spread. It is as

if ideas, aims, and purposes were all-important but how they were put into effect was of little or no account. It is likely that historians are reflecting their materials when they give this emphasis, for reformers have been concerned mainly with their central ideas, or obsessions, and with the great results that would occur once they were put into effect, not deigning to concern themselves overmuch with the vulgar business of making them operational.

Yet method is extremely important; for social reformers, it should be all-important, for their ideas are instruments for changing the existing state of things. If this could be done, it would have to be done by the methods adopted for the purpose, and by methods adapted to the purpose. The results achieved will be those that follow from the methods used.

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fatetful Turn* and *The American Tradition*, both of which are now available as books.

The consequences of actions are determined by the methods rather than by the intent, purpose, desire, will, wish, hope, or faith of those who act. Dreams, hopes, visions, ideas, purposes, and desires may move a man to act; but, however noble his purpose, however much enthusiasm he brings to the matter, however much thought he may have given to the idea that something ought to be done, his actions will still be only as effective as the methods he adopts for achieving his end.

The Theory in Practice

It may well be that many reformers and revolutionists have believed their aims would be achieved by such things as the inevitable working out of the inherent processes of history, by the victory of some ideology in the contest of ideas, by men of good will when they have in their hands the instruments of government, by the withering away of government, by a politically conscious elite acting for the "people" or the "proletariat," by a return to nature, or by the enfranchisement of whole adult populations. But when revolutionists and reformers have actually come to power, they have come face to face with the problem of method which they had hitherto evaded. That is, how is the sought-after social reconstruc-

tion to be brought about? How is an ideology to be turned into actuality? How does one go about, for example, realizing the "principle," "from each according to his ability, to each according to his need"? How can the ability of a man be determined? It cannot be with any exactitude, but if it could, it would only pose a new problem. How can a man be induced to perform according to his ability? If he does not, what is to be done? In general, either the rewards or punishments will have to be increased. But, according to the Marxian formulation, the rewards are not to be apportioned in terms of performance. That means that the punishment will have to be increased, an excellent device for tyranny but not one calculated to get from each according to his ability. The latter part of the famous formulation poses just as great practical difficulties as the first. What are the needs of a person? Who is to determine them? If they could be determined, how would they be met? By what instrumentalities would the goods be gathered and handed out to the needy? What assurance would there be that this would be done "justly"?

Nearer home, note these pronouncements by Theodore Roosevelt in his acceptance speech following his nomination by the

Progressive party in 1912. "Our aim is to promote prosperity, and then see to its proper division We wish to control big business so as to secure among other things good wages for the wageworkers and reasonable prices for the consumers." What are "good wages" for workingmen? What are "reasonable prices" for consumer goods? Even if these questions could be answered, other than in the marketplace, how could government go about securing these ends? Who would decide what are "reasonable" prices? How would he go about administering them? By what instrumentalities would such controls be effected? What institutions are appropriate to such regulation?

Scant Attention to Methods

In the nineteenth century, reformers and revolutionaries usually talked in the broadest generalities. They favored the expropriation of the expropriators, a single tax upon the unearned increment or social surplus, government ownership of the means of production, or government ownership of public utilities. How would property be taken over? Who would manage it? Who would determine what should be produced? Who would determine what prices should be paid for goods? How would these things be determined? Americans

did not usually talk the language of revolution, not if they expected to be elected to office; but they, too, often talked vaguely about how their ends were to be achieved and glowingly about the ends.

This lack of attention to methods has often become apparent when socialists have come to political power. In Soviet Russia, following the Bolshevik seizure of power, chaos reigned, particularly from 1917 to 1921. The communists were rather adept at the destruction of the existing order, at murder, at regicide, at expropriation; but they knew almost nothing about building and producing. Force is, after all, much better suited to destruction than to construction. Moreover, ideologues often have only the foggiest of notions about how the world's work gets done. But the important point here is that the socialists in Russia had not devised methods, if such could be devised, for accomplishing their aims. Almost thirty years later, when the Labor party finally came to power with a full commitment to the "nationalization" of major industries in England, they still had only the vaguest of ideas as to how this could be accomplished.

That is not to say that methods of reform have not been adopted. Even communist revolutions have become somewhat stylized. Fa-

bians, or gradualists, have adopted methods, too, and these have tended to be universalized. In the United States, where the socialist tendency has been gradual, methods have been adopted for each reformist move, and the move has been made by and with the method adopted. This reflects the legalistic approach to socialism. In other words, insofar as reform has been undertaken within the existing framework, and insofar as the existing framework requires government by law, reforms have been given a semblance of lawfulness. This has meant, to some considerable extent, that the methods of reform have been adopted prior to or concurrent with the introduction of the reforms themselves. This was necessary to give the reforms the appearance of legality.

Reversion to the Past

The central question is: Where did these methods come from? American reformers have usually claimed that their reforms were new, unique, and innovative, that they were adopted to deal with new and unique conditions. The old, the traditional, the customary, was held to be out of date, no longer appropriate to these modern times. The new reform methods were progressive, as opposed to the outmoded methods to be replaced. There has been much talk

of bold, new social planning. Lester Frank Ward and John Dewey wrote confidently about "social invention." The pragmatic approach, according to the lore of the contemporary orthodoxy, is one of continual innovation, testing, and adjustment as to methods.

Such claims are interesting, but the only reality to which they refer is the mythology of reform from which the rhetoric emanates. The methods of the reformers are not new creations; they are usually variations upon methods that have a considerable antiquity. The methods of reform have been obtained by the process of abstraction of older or contemporary methods, the abstraction of them from the context in which they existed, and the application of them to different purposes. Many of them have long histories and have been subjected to a variety of uses. Let us examine some of the sources of reform methods, and in so doing look at some of the methods themselves.

Reform in America, and elsewhere, has proceeded by dealing with the population as if it were divided into classes. To put it another way, reforms have usually been aimed at, or provided for, people in certain groups; and these groups are often thought of as composing classes. For example, it has been common to refer to the business class, the working class,

the professional class, the white collar class, and so on. In practice, reformers have extended this idea considerably; there are many other classes or sub-classes: farmers, women, the aged, teen-agers, Negroes, minority groups, and veterans. Americans have always spoken of classes; the word was a part of the English language which they inherited. It is a word which had rather precise meaning in the Middle Ages in Europe, and had rather definite descriptive meaning in many European countries down to the twentieth century. It referred to divisions within society which were established at law or were protected by law, to a system in which one was born into a particular class and might be expected to remain in that class for the whole of his life. A class system, in short, is a system in which certain groups are empowered and/or disabled by legal prescription, and the condition has usually been hereditary, though it need not be.

Dividing Americans into Classes

Now, in this sense, America has hardly had classes at all. After the adoption of the Constitution, the only definite class was that made up of Negro slaves. After the abolition of slavery, there were no classes in America, though Negroes suffered some disabilities by

law, and women may have, also, in some places. Americans still referred to upper, middle, and lower classes; but these were vague classifications which one might apply according to his predilections. Into the breach came sociologists with their baneful penchant for "thingifying" abstractions. To be more specific, there came Karl Marx and assorted hosts of socialists and reformers. Marx concocted a theory of universal history in terms of class struggle. His idea of class was probably drawn from earlier history, but he applied the abstraction of it to the industrialization going on around him. The bourgeoisie and proletariat were for him classes as rigid as any that had ever existed. This conception, or, rather, misconception, of class was spread by socialists in the latter part of the nineteenth century. Many American intellectuals came to hold this conception also.

According to the rhetoric of reformers, "labor" was sinking into a permanent state of dependence, "farmers" being reduced to the perpetual state of sharecropping, Negroes bound over to a new servility, and small businessmen squeezed out. "Big business" was often the villain of the piece. The point here is that the population was divided into classes. This division provided reformers with

one of their methods, the method of using government to disable certain "classes" and to empower others. Anyone familiar with the reforms of the last fifty years or so should recognize the method as it has been employed: regulate and control "business," particularly big business, subsidize farmers, and use the power of government to support labor unionization, for example.

Government-like Institutions

Other general methods of reform were abstracted from the system of government in the United States. One of the most prominent of these abstractions is that of the "democratic process," that is, of voting, majority rule, and representation, and its broad application to all sorts of undertakings. For example, the methods drawn from government have been generally applied to union organization and activity. There are votes as to whether the workers in a craft or plant shall be represented by a union, votes on whether to strike, whether to accept the terms of contracts. The decision of the majority is usually binding upon all. Representatives of the workers negotiate with companies; and these, too, are chosen by the vote of the workers. These are clearly methods abstracted from the American gov-

ernmental framework. This particular method has become a method of reform because the United States government has long since thrown its weight behind these processes, and undertakes to guarantee that they will be faithfully applied. Thus, methods which have an important and legitimate role in government are applied to a supposedly nongovernmental matter.

Federalism, too, has been instrumented to reform purposes. In the American system of government, as conceived, local governments performed most governmental functions, local initiative was essential to political action, and local customs and traditions determined the character of action taken. Some reforms have been undertaken at the local level, but over the years the tendency has been to have them initiated, financed, and administered by the central government. Local governments have been used increasingly as administrative units and as a framework within which to impose and control governmental programs by the central government. An example of this would be the welfare program, that is, the program of old-age assistance, aid to dependent children, and aid to the disabled. Moneys are provided by both the United States government and the state government in-

volved. The program is administered at the county level; but it is administered according to prescriptions laid down by the central government, in the first place, and, within that, according to state law and procedure. Thus, the county is reduced, in this and many other instances, to an administrative unit. The federal system of government becomes an instrument for reformers by reversing the direction of the flow of authority; it becomes one of the methods for reform.

The Perversion of Voluntarism

Many of the methods of governmental reform have been abstracted from practices, procedures, and services of voluntary organizations. For example, cases of need and hardship were generally looked after and provided for in the nineteenth century by voluntary charitable organizations. In rural areas and small communities, permanent organizations might not exist; each case would be handled by relatives, neighbors, and churches as it arose. But in cities, more nearly permanent charitable organizations were formed and maintained. Many services provided by such organizations were eventually taken over and provided by governments. It would make an interesting and informative study to examine into

the question of how many services now provided by governments were originated and initially provided by private industry, individuals, and voluntary groups. My guess is that it would include almost all of them. Many roads and bridges were built and operated by private companies in the United States in the first half of the nineteenth century, though they were often chartered monopolies, in keeping with the mercantile mode of operation. Education was generally provided during the same period by voluntary means. Voluntary associations within professions, such as the legal and medical, have maintained standards and "policed" themselves. Industries had inspectors before government provided them. Insurance was a private function long before government got into the business. There were private savings banks before the United States government set up Postal Savings in 1910. Hospitals were built and maintained by physicians, churches, and voluntary organizations. Volunteer fire departments even preceded city fire departments. Housing for the poor was provided by private enterprise long before "public housing" measures were undertaken. Even the tenement, which is surely the model for government-financed housing in large cities, was ini-

tially built by private initiative. It was, after all, the apartment house in times when capital, technology, and entrepreneurship had not made the labor of many workers sufficiently remunerative to afford better. The chances are good that "Duncan Hines ate here" before state inspectors did generally, and his is still considered the more important recommendation. In perspective, it looks as if the vaunted "social invention" of reformers has been restricted largely to inventing arguments why government should perform services that were already being performed.

Business-like Bureaucracy

Not only have many of the services now performed by governments been taken over from the individuals and voluntary groups who originated and maintained them, but administrative organization and procedure was taken over, too. Boards of trustees, boards of directors, boards of deacons, committees, and boards of education — the control bodies of private organizations — often have been perpetuated by governments. When a state takes over a private college, for example, it usually continues the same mode of administrative control, having a president or chancellor and whatever its board of control happens to be called. It will, of course, be

brought under the sway of the government, in one way or another. The various "authorities" by which governments engage in business activities, as, for example, the Tennessee Valley Authority, will have some figure as head who will likely be called chairman, patterned after the chairman of the board of directors of a private corporation, and a board or commission which itself appears to have been abstracted from corporation organization.

Some methods of doing things have had a long and checkered career. Take, for example, the recording of births, marriages, and deaths. A few hundred years ago such records were kept by churches. In nineteenth century America, following the change in the political position of churches, many families kept such records in the family Bible. Counties took over the function, and began to require that reports be made to them of these affairs, authorizations be got from them in some cases, and certificates began to be issued commonly. The Federal census, authorized as a population count for the purposes of apportionment of electors and representative among the states, began to collect and contain more and more information about the citizenry. Now, the information which governments collect through these and

other devices is being made into an instrument for the advancement of reform by way of governmental planning based upon the projection of figures drawn from the information.

Feudal Practices Revived

A goodly number of the methods of reform are adapted from other eras. An example of this is the use of the power of eminent domain to acquire property for reform uses. The power of eminent domain is the power to take private property for public use by government. Such a power was assumed to be appropriate to government at the time of the adoption of state constitutions and the United States Constitution, for provision was made for its exercise. The theoretical justification then was that it derived from the sovereignty of a government. The idea of sovereignty was carefully formulated in the sixteenth century, was drawn from the powers of the monarch, and served to buttress the thrust of kings to absolute power in the seventeenth and eighteenth centuries. But the powers of the monarch over the land of the realm go back to the Middle Ages and the feudal system, when the patents or rights to land belonged to and stemmed from the king. It is somewhat a matter of choice as to whether one traces the power

of eminent domain to feudalism or to divine right monarchy. The use of the term "eminent domain" appears to be peculiarly American, but the power is not. For most of American history, the power was used only to a limited degree, and some limitations upon it were embedded in constitutions. However, in recent years it has tended to be used as an open sesame for governmental appropriation of land for reform purposes. This is particularly glaring in the case of urban renewal projects, but its use is not restricted to this arena.

Other practices can be traced back to the Middle Ages, at least. The "just price" is a Medieval conception and practice which has been used in price controls. Maximum wages were set by the English government as early as the fourteenth century, in connection with the Black Death. The setting aside of lands as forests and parks has its model in the Medieval "commons" and the king's forests.

Mercantilism Returns

The most fecund historical source for commercial regulation and control is mercantilism, which reached its earlier apogee in the seventeenth and eighteenth centuries. The protective tariff was the classic mercantile device for regulating and inhibiting trade

among the peoples of various nations. Monarchs also issued patents and charters which gave to individuals and companies monopolies of trade. Regulations upon the export of precious metals were adopted. Monarchs inflated the currency, as governments have done from time immemorial, largely by reducing the metal content of coins supposed to have a certain and fixed value. Practices to promote the "economic self-sufficiency" of nations were used within the mercantile framework. Subsidies and bounties were paid for the production and manufacture of certain goods. Sumptuary laws were passed to discourage or prohibit the consumption of certain goods.

Virtually all of these mercantile practices have been revived within the last century. Modern reformers have made some alterations in them, however. They are more apt to set minimum wages than maximum wages. They call their "just price" a "fair price." Mercantilist governments usually subsidized the growing of scarce items, while modern reformers tend to subsidize the production of goods in surplus. However, the recently authorized reduction of the silver content in American coins differs not at all from the ancient practice.

Other reform methods have

been borrowed from the Europe of more recent times. Many American intellectuals have been, of course, enamored of things European. For some of them, it has been enough recommendation of a practice to declare only that it is what is done in Europe. If European countries have government-financed radio and television stations, it is taken to be a proper way to do things. If European countries subsidize the arts and maintain theaters and concert halls, it is presumed to be an enlightened undertaking. Be that as it may, reformers have learned some of their methods from the Europeans. England undertook to impose an income tax in the first half of the nineteenth century. Imperial Germany set up welfare programs in the latter part of the nineteenth century, and England got into the welfare business just before World War I. Reforms attempted in England are quite often copied by American reformers, without making royalty payments either.

War a Prolific Incubator of Reform Methods

But perhaps the most prolific womb of methods has been war; it has been a veritable incubator of reform methods. Reformers have long been fascinated by the "accomplishments" of a country

at war. They have noted the full employment, the rise in wages, the immense production, the rise in farm prices, and, altogether, the aura of prosperity. There are those who suppose that war does indeed bring prosperity. A considerable myth was propagated by Charles A. Beard and others that the great industrial surge in the latter part of the nineteenth century was a product to a large extent of the Civil War. No one has ever explained how the great waste and destruction of war could produce prosperity, or why construction is the product of destruction. Such history is on a par with a history that would claim that because roosters crow before the sun comes up that their crowing causes the sun to rise. Still, these myths have attracted a large following. Reformers have abstracted methods used in wartime from their context and applied them in peacetime. One history, in dealing with the origins of the New Deal, contains these remarks: "The power which the federal government could exert over the economy had been amply demonstrated by the War Industries Board and other wartime agencies in 1917 and 1918. Roosevelt and a number of his advisors, including George N. Peek, Hugh Johnson, and Bernard Baruch, seem to have been greatly influenced by their experi-

ences in economic planning during World War I."¹

Wartime Inflation

This does not begin, however, to tell the impact of war upon reform. Perhaps the most momentous abstraction from war has been the inflationary device. Now inflation — that is, the increase of the amount of currency in circulation — has not been restricted to war. But in the United States the government inflated most extensively during wars until well into the twentieth century, if not to the present. This has been true because those in power have not seen fit — have not thought it politic — to finance the wars by the ordinary route of taxation. They have, instead, employed surreptitious tax measures such as inflation. The first time that this measure attracted the attention of reformers to any extent was after the Civil War. The government had issued a large number of greenbacks during the war. It later began to retire them from circulation, which was a responsible fiscal undertaking. Nonetheless, it drew the fire of reformers. A political party called the Greenback party was even organized.

¹ Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin, 1959), p. 590.

This particular movement died out but not the desire to inflate. The silverite movement of the latter part of the century was an extension of the inflation movement. During World War I the government had a much more potent mechanism for inflation — the Federal Reserve Banks. The extensive use of this system to facilitate government financing during World War I was continued afterward, and this system became an important auxiliary of the Treasury and for manipulating the currency supply.

Large-Scale Government Planning

During World War I, the first concerted attempt in American history was made to co-ordinate, regulate, and direct the economy by the government to a definite end. Economic planning was carried out on a large scale. The War Industries Board, under the guidance of Bernard Baruch, was eventually given powers to establish priorities for all types of materials for war use, and to convert old facilities for manufacturing from their former use and to cause new facilities to be brought into being. Baruch had a life-and-death power over manufacturing and could, through the threat of the denial of materials, bring a business into line. An Advisory Food Committee, with Herbert Hoover

as Food Commissioner, was set up. It was soon given great powers over certain kinds of agricultural activities. Food processors had to be licensed by the government. The act granting these powers prohibited the use of foodstuffs for making alcoholic beverages; thus began the "great experiment" in national prohibition. The price of wheat was set by the government, and a corporation was set up to achieve this end. A War Trade Board was authorized and given power to regulate exports and imports. An Emergency Fleet Corporation was organized with power to buy, lease, build, and operate ships. The model for this was the private corporation, but the government was going into business. The first government dam on the Tennessee River was built during and after World War I. A War Labor Board was set up to mediate labor disputes, the first time the government became officially involved in these matters. The government could manipulate wages by the wages it paid in government-owned war plants. "Wilson used this power to make an informal but firm bargain with labor. He undertook to establish the principle of union recognition in government plants and to secure wage increases as rapidly as prices rose. In return, he extracted a no-strike pledge from organized la-

bor in basic industry for the duration of the war."²

This experience was abstracted and much of it applied to reformist ends. The crisis motif has been taken from its war context and applied to depression conditions, for instance. Reformers have come to talk about *wars* on poverty, on death, and so forth. But the methods used during World War I have been specifically applied to peacetime uses also. The concentration of powers in the hands of the President, done during war, has now become a common mode of operation by government. The creation of all sorts of boards and commissions has become standard operating procedure. The War Industries Board served as a model, of sorts, for the National Recovery Administration. The costs of the agricultural programs in the early New Deal were to be paid by a tax on food processers, a tactic obviously drawn from the method of control during World War I. The National Labor Relations Board was modeled after the War Labor Board. A dam built because of the exigencies of war became the first of a large number to be built upon the Tennessee River by the government. The list is not

complete, but it should be suggestive.

Means and Ends

On the face of it, all of this may not appear to matter much. After all, does it make any difference whether reformers are original, in some kind of "creative" sense, or not? Is it not appropriate to use the methods with which one is familiar, or which may be learned from history, for the accomplishment of new ends? Is this not how everyone operates, more or less? Perhaps so, but it must be kept in mind that it is the reformers who have insisted upon the uniqueness of the times and upon the new and experimental character of what they were doing. If it were not new and different, it would not be "progressive." Moreover, if the methods had been tried before, there would be historical evidence as to their efficacy.

As to the validity of the process of abstraction employed in this way, it should be kept in mind that this depends upon the identity of the nature of the things to be dealt with. It may be appropriate to adapt a method used in one undertaking to use in another, if the undertakings are similar in kind. For example, if a corporation is an effective business organization for manufacturing bolts, it is reasonable to suppose

² George H. Mayer and Walter O. Forster, *The United States and the Twentieth Century* (Boston: Houghton Mifflin, 1958), p. 244.

that it will be equally efficient in organizing for the manufacture of nuts. The assembly line method for manufacturing buggies may be abstracted from this undertaking and applied to the manufacture of automobiles. But the assembly line cannot be utilized to produce custom-made automobiles. They may be called custom-made, but they will be uniform because products of an assembly line must be, or, rather, they must be if the method is to be effectively used.

The Method Affects the Result

We are back now to the original point of departure in this article. The methods employed determine the results produced. Aim and purpose have bearing upon the matter only if they have determined the methods to be used. To be more specific, feudal methods produce neo-feudalism when they are applied. Mercantile methods produce mercantilism. The reason for this can be readily understood. When government deals with groups within a population as if they were a class, it creates a new class system. In short, if it grants privileges or immunities to some element of the population, empowers or disables it, it has brought into being a class. When wartime measures are applied to civil purposes, the measures retain their warlike character. War mobilization meth-

ods are suited, if to anything, to the augmentation of governmental power for the destruction of an enemy. When these methods are used for civil purposes, if they could be, their character is unaltered. Their use still results in the augmentation of governmental power, and such power remains, in the main, destructive. There is no real enemy — of flesh and blood, with weapons and war plans — that can be designated by the name, "poverty," against which to use this power. There are only people and goods, and such power as is exercised will be exercised against these, not against some abstraction. This should have been clear when the New Deal's war on poverty was conducted; it was conducted initially by plowing up crops and shooting animals. But, then, war is war, and its methods are the methods of destruction. However subtly methods abstracted from war may be applied to the domestic situation, they continue to be wars on person and property: whether they be wars on savings by inflation, wars upon possessions by taxation and confiscation, wars upon human relationships by the prescription of behavior, or wars upon production by way of crop limitations.

Methods abstracted from other kinds of activities are equally inappropriate to reform by the use of

governmental power, though they may not always be so devastating in their consequences when applied. The use of force or the threat of force by labor unions is nonetheless a use of compulsion — an assumption of pseudo-governmental powers — regardless of whether the principle of majority rule has been applied or not. When governments provide welfare for the needy, it ceases to be charity, even though the same organization for the provision of the service be adapted from private and charitable societies. The adoption of the forms of business organization by governmental bodies does not result in maintaining responsibility along the lines that it was established in private companies. A government board is just not responsible for what it does in the way that the board of directors of a private corporation is. When the power of eminent domain is joined

to presidential power, or to that of somebody under the President, it takes on its old character of absolutism, embedded in the method all along.

We are not to suppose that reformers are aware of the grotesque incongruities that exist between their professed aims and the methods they use. It is unlikely that many of them are aware of the origins of the methods they employ. They have a rhetoric which hides them from such recognition. They talk in terms of bold, new experiments, of breakthroughs and innovation, of pragmatic testing; but theirs are the age-old methods of feudalism, of absolutism, of mercantilism, of war, and of voluntary methods joined to political power. The flight from reality is in the mind; in the real world the results of actions follow from the methods used. ♦

*The next article in this series will concern
"The Flight from Economics."*

Back Issues and Binders

Back issues of THE FREEMAN, since October 1964 when this *Flight from Reality* series commenced, are available at 20 cents a copy. Also available at \$2.50 each are the 12-red, blue Leatherlex FREEMAN binders.

THE MORAL FOUNDATION OF FREEDOM



RALPH W. HUSTED

MY JOB occasionally takes me to Philadelphia. I never miss an opportunity, when I am there, to look at that small room where the architects of this nation in a relatively short time drafted, debated, and finally adopted the Constitution; where the vision of a great republic was given to a handful of men who, when opportunity came, were prepared by education, courage, and faith to discharge one of the greatest responsibilities ever undertaken by men.

I do not believe it was an accident that those men were brought together at the same time and at the same place in history. I think it was no accident that among that small group were some of the

greatest thinkers of their day, either in Europe or in America.

To one who sees about him a world of infinite plan and design, things do not just happen. There were times, we are told, when the Constitutional Convention approached disruption. I believe the fact that it was finally successful was not an accident. I believe the courage and wisdom demonstrated on that occasion were not accidental. And I believe it was no accident that Madison was able to draft in a short time a document containing the wisdom of ages, and at which men have marveled ever since. The man who sees history as a great laboratory in which it has been proved time and again that cause has its inevitable effect, according to the design of a power greater than any of us can envision, cannot believe that the birth, educa-

Mr. Husted is Vice-President and Secretary of the Indianapolis Power & Light Company. This article is from his 1965 Veterans Day address before the IPALCO Young Men's Forum.

tion, and experience of Washington, Adams, Hamilton, Jefferson, and Madison were mere accidents of history and that the founding of America was merely a fortunate coincidence of men and circumstances.

Our Founding Fathers believed that we live in an ordered universe. They believed themselves to be a part of the universal order of things. Stated another way — they believed in God. They believed that every man must find his own place in a world where a place has been made for him. They sought independence for their nation but, more importantly, they sought freedom for individuals; freedom for men as individuals to think and act for themselves. They established a republic dedicated to one purpose above all others — the preservation of individual liberty, the protection of a society where men would be free to pursue their purposes in life as they see them. They did not think man's purpose in life is to be determined by government or that government has any business deciding what purposes our society shall serve.

Spiritual, Economic, Political

When we speak of individual liberty, just what do we mean? In final analysis, I think it has three essential elements—namely: freedom of worship, economic freedom, and

political freedom. I will not say much about religious freedom except to make a point which is very significant, especially in the light of the recent school prayer cases. Freedom of worship meant to our forefathers exactly what the words imply, i.e., freedom to worship as one pleases. But remember, it also meant to them the right not to worship at all. We know, of course, that very few of them were disposed to make that choice. For most of them, worshiping God was an essential part of their lives. It is true that they believed in and advocated the separation of church and state, but they certainly did not believe in separation of the people from God.

In 1835 the French lawyer, Alexis de Tocqueville, wrote about what he had seen in America:

... in America religion is the road to knowledge, and the observance of the divine laws leads man to civil freedom....

I have said enough to put the character of Anglo-American civilization in its true light. It is the result (and this should be constantly kept in mind) of two distinct elements, which in other places have been in frequent disagreement, but which the Americans have succeeded in incorporating to some extent one with the other and combining admirably. I allude to the spirit of religion and the spirit of liberty.

There is one more point I want to make in connection with religious freedom, and it leads to the central idea of what I have to say here this evening. Religious freedom means nothing without economic and political freedom. Life is not divided into neat little compartments one of which can be considered without regard to all others. Life can't be divided, nor can freedom. It is impossible to have religious freedom without political and economic freedom. It is equally impossible to have economic or political freedom without religious freedom. Now let us consider economic freedom in that light.

Importance of Economic Freedom

Economic freedom means, literally, freedom to seek the means of satisfying one's material needs; but I doubt that any man ever considered his own well-being in terms of material needs alone. Consideration of man's material needs necessarily involves thinking at the same time about his spiritual needs, because his well-being depends upon satisfaction of both, and both consciously or unconsciously influence his efforts to satisfy his wants. Hence the interdependence of economic and religious freedom.

The significance of economic freedom lies in the very nature of creation. We are made one at a

time, and no two of us alike. The differences between us are great, and by far the greatest differences are spiritual. The bare necessities of life are few but the number of material things necessary to give expression to the spirit of mankind is endless. The millions of forms in which property is molded by the hand of man and the millions of uses to which it is put are but extensions of the millions of human personalities who gather property and adapt it to their needs. Whether it be a pencil or a steel mill, property is but a reflection of the infinite spirit of man. It reflects the desire of the human spirit for self-expression.

If you agree with this, I think you will also agree that property, to serve its purpose best, must be private property. By the very nature of creation, no two of us can have the same desires, the same skills, or the same mental endowments. No two of us can express ourselves in the same way. Property cannot possibly serve the same purpose for one owner as it serves for others. What we call ownership is the right to the use, possession, control, and disposition of property; and it is these incidents of ownership which make property useful in satisfying the needs of individuals.

Clearly, therefore, ownership must be private if a particular item

of property is to satisfy the needs of a particular man as he and no one else sees them. If you still have doubt as to the necessity for private ownership of property, consider for a moment that all of us are property owners; a man's labor is his property, and unless he is free to control and dispose of his labor as he wishes, he is a slave.

Men have co-ordinated their efforts in countless ways to satisfy their material wants, but always, and regardless of how interdependent their lives may become, their efforts are directed to satisfaction of the wants of individuals. Men have created business organizations both large and small, both simple and complex, but such organizations have no life, no philosophy, and no ability to create or produce separate and apart from the individuals comprising them. An organization or corporation may become so large that a person begins to feel that his individuality has become completely swallowed up in it, but the fact remains that he is the one endowed with life and not the organization. Only individuals can grow and progress, and only individuals can generate economic progress. Only an individual can want. Only an individual can know what he wants; and unless he is free to make the choices that will satisfy his wants, he is not really free.

It is inconceivable that in a society where choices are made for us by government we could ever enjoy complete satisfaction of our material and spiritual needs. It is equally inconceivable that any group of economic or social planners could make choices for us in a way that would satisfy us, because one man can never understand another well enough to do so.

The division of labor in a free society is a vast voluntary cooperative system. In America it has enabled men to enjoy a standard of living that taxes the imagination of people living in other parts of the world where such freedom is denied them. Complex as our system may be, it is, nevertheless, built upon something that all of us understand—the promise of one man to another. It is built on the right to contract, to contract freely without the intervention of government. It is built on freedom of individual choice. A planned society may enforce specialization of work, but compulsion has never performed the miracles of production that have become commonplace among men who are able to contract as they wish.

Meaning of Political Freedom

So much for economic freedom. What about political freedom? Political freedom in the minds of

many people is something which they define vaguely by the word "democracy," and which they associate with freedom of speech and the right to vote. To think of political freedom only as democracy is dangerous indeed because a democracy can become a tyrannical mob. To think of political freedom only as freedom of speech and the right to vote is to fall into a socialist trap, because even the socialists profess to believe in both. The right to vote may be essential to freedom, but we should remember that time and again people have given away their freedom by majority vote.

Then what do we mean by political freedom? I think it is this. Every right which we insist upon as free men carries with it the duty not to interfere forcibly with the enjoyment of the same right by others. Man's desire for self-expression is natural and good and the right to self-expression is essential, but unless it is accompanied with a proper sense of responsibility it may manifest itself in the use of force. We are responsible beings but we all know that in the present state of civilization, and as it probably will be for ages to come, no one is or will be perfect. No one has or will have a perfect sense of right and wrong. We must, therefore, have law to restrain the use of force.

But let us also keep this in mind. The law is not self-executing. The law itself must employ force or the threat of force to restrain those who would act irresponsibly. It may seem trite to repeat here that that government governs best which governs least, but it needs to be said now as much as when first spoken. Political freedom means freedom from government restraint or compulsion beyond what is needed to curb irresponsible men. When government goes further than that, it becomes the oppressor of freedom. When we turn over to government the job of planning, managing, or controlling any undertaking, regardless of how humanitarian it may appear to be, we must weigh the cost in loss of freedom because loss of freedom inevitably accompanies the delegation of such power.

The Role of Government

Now, some of you may ask, "What about the many services which the government renders for the people? Does not the government do for us many things which we could not do for ourselves?" Does it? Perhaps we have been deluding ourselves. Dr. F. A. Harper has said,

The government could do for us what we cannot do for ourselves only if it sits on the right hand of Crea-

tion itself. Otherwise, unless it be possessed of the powers of God, it cannot possibly do anything that people can't do for themselves, for the simple reason that people comprise all that is government. Government is manned by the very same persons whose deficiencies are presumed to disappear when combined into a legal structure with bureaucratic, political trappings — a process which makes an ordinary person, if anything, less able than before to accomplish things. The bureaucratic whole is, for this reason, really less than the sum of its freely cooperating individual parts.

Edmund Burke once said,

To make a government requires no great prudence. Settle the seat of power; teach obedience; and the work is done. To give freedom is still more easy. It is not necessary to guide; it only requires to let go the rein. But to form a free government, that is, to temper together these opposite elements of liberty and restraint in one consistent work, requires much thought, deep reflection, a sagacious, powerful, and combining mind.

It was no accident that Washington and his contemporaries established something the world had never before seen, a nation dedicated to freedom of the individual. Theirs were the minds which understood that the only real liberty is individual liberty. Theirs were the powerful and combining minds

which understood the moral foundation of freedom — man's personal relationship with his Creator — and they made that the foundation for the greatest nation on earth.

The Danger We Face

Today we are faced with the most serious attack on our freedom which has ever confronted us. I say the most serious because it is an attack on the very moral foundation which I have just described. It is little comfort to know that the attack may have been inspired initially by people beyond our borders. The disturbing fact is that the burden of the attack is now being carried by persons in all walks of life who profess to be and think they are good Americans. I think it has not been a case of knowingly abandoning our faith, but rather we have been led without thinking to accept many beliefs which in fact deny that men have a personal relationship with God. Individual liberty has been sacrificed and government has come to be looked upon, primarily, as an instrument for social and economic planning.

We have allowed to infect our political philosophy the belief that men are no longer able to take care of themselves. We have established an enormous bureaucracy to plan for them. We still

profess the need for religious freedom, but we have repudiated the conviction of our forefathers—that unless we also have economic and political freedom, religious freedom is meaningless.

We have, for example, adopted a graduated income tax for the avowed purpose of supporting essential government functions, but we have changed our concept of what is essential and we are now using the tax in shocking measure for the redistribution of wealth and as a means of controlling the lives of people. We have subsidies for housing, subsidies for farmers, subsidies for power, subsidies for shipping, and subsidies for the aged. We take one man's property to give to another and think it is right simply because it is accomplished by majority vote. We have adopted the Marxist principle of "from each according to ability, to each according to need."

We have outright government ownership of hundreds of enterprises. We have government interference with the right to contract in practically every area of economic activity. In many areas such interference is so great that the free market, freedom of economic choice, is gone. We have allowed ourselves to think that a little socialism will not hurt us, but the acorn has now grown into a giant of the forest.

The Mixed-Up Economy

Many of our politicians, political scientists, economists, school textbook writers, and even some of our financial and industrial leaders see great hope for the future in what they call a mixed system of private enterprise and public enterprise. They speak of the "public sector" of our economy as contrasted with the "private sector" and of the necessity for a partnership between the two. They praise what is now fashionably called the partnership of government and business. They speak of the marvelous adaptability of our system of free enterprise because, as they say, it has been able to join hands with government to meet what government planners consider the needs of society. What kind of partnership is it where one partner is supported entirely by the other? What kind of partnership is it where one has become such a burden to the other that there is evidence today of the load becoming too great? How long can it last?

We have accepted fiscal immorality as a national policy. This is not something that has been forced upon us. The fact is that we insist upon it. Every downturn in business is the occasion for further demands that the government increase spending, even deficit spending; that the Federal Re-

serve System reduce interest rates and buy government bonds so as to increase the supply of bank credit; all of which, of course, results in an increase in the supply of spendable dollars but contributes nothing to the real wealth of the people. People are really not better off, because dollars are not wealth, nor are dollars a true measure of wealth when they are subject to arbitrary devaluation by arbitrarily increasing the supply of them.

If one concedes that private property is indispensable to the achievement of man's happiness, then it must also be conceded that any artificial manipulation of the medium of exchange by which the value of property is measured is morally wrong, and that is exactly what our Federal government does when it tinkers with interest rates to expand or restrict credit, or reduces gold reserve requirements, or puts pressure on the Federal Reserve System to buy or sell government bonds to increase or decrease bank credit, or engages in deficit spending.

What is immoral about these practices? Let me mention only one thing that is obvious to all of you. It is simply the fact that everyone holding or depending directly or indirectly on fixed income obligations and contracts is deprived of a part of his property

without receiving anything in exchange for it. Money that is subject to tinkering by government becomes the instrument by which people are robbed of their property.

By Majority Vote in the Name of Democracy

We have done it all by majority vote and in the name of democracy. Now I do not want to be misunderstood. The word democracy still has meaning to me and I believe in it, but I would ask you to remember always that democracy is not an end in itself. Despite the preaching of our present-day textbook writers and government social planners, democracy is not the goal of America. Democracy can be and has been many times an instrument for the abuse of individuals. Our goal is, and must continue to be, individual freedom.

Of course we believe that everyone should have a decent house, that a farmer should enjoy a high standard of living, and that the aged should not want, but how are these things to be accomplished — by resorting to more economic and social planning by government and to a program of massive government spending? Shall we ignore the fact that when we speak of government planning we presuppose the existence in gov-

ernment of someone with super-human wisdom to do the planning? Shall we ignore the fact that when government does the planning, the coercive powers of government will be used to carry the plans into effect at an enormous sacrifice of individual freedom? Apparently some of our present-day leaders, both in government and out, believe we should. Shall we accept the notion that merely because government planning for the people is done under the label of democracy, and is claimed to represent the interests of a majority of the people, it is right?

Today many of our people, both in government and out, believe the "welfare of the majority" is the criterion by which we should measure the extent of government interference in and control of economic affairs. We find people, both in government and out, urging an expanded program of government planning and spending in order, as they say, to improve society and strengthen freedom. How can the strengthening of centralized government dedicated to a program of social and economic planning assure individual liberty to anyone? The free man is the man who can make choices for himself and not have them made by government.

We find today, among people ranging from textbook writers to

respected businessmen, whole-hearted endorsement of the Universal Declaration of Human Rights, drafted by the U. N. Commission on Human Rights, which declares that men are entitled, as a matter of right, to favorable working conditions, just pay, social security, adequate housing, and an adequate standard of living.

Of course, these things are desirable, but let me remind you that in the America conceived by our Founding Fathers, man's inalienable rights — life, liberty, and the right to own property — are not granted by the state. They are God-given. A decent house, adequate pay, and social security are not God-given. God gives men the capacity to acquire these things for themselves, but no more. God gives men the capacity and freedom to work and create. He gives them nothing they can create for themselves. We renounce the great religious heritage handed down to us by our Founding Fathers when we speak of the material things which men are intended to work for as though they too are something we have a God-given right to demand.

Christian Responsibility

We are a nation with Christian traditions, and I know some of you are saying, "What about our re-

sponsibility as Christians to our fellow men?" Well, let me discuss that for a moment. I suspect that what really prompts us to think only the government can handle some of our present-day problems is that we do not really trust the sense of responsibility of our fellow citizens. We are afraid that if care of those in need were left to the people to handle voluntarily, they would let the job go undone. Perhaps they would in some cases. Some people might suffer if their welfare were dependent solely on the charity of their fellow men. But is the welfare state the answer?

Now some of you will say that care of those in need is a much bigger problem than it used to be. "We are living in a different age," you say, "and care of the needy is so big now that only the government can handle it." That is a myth. I lived through the depression of the 1930's. I saw people go hungry and without enough clothing. But I never saw or read of anyone starving or freezing to death. On the contrary, in the early days of the depression, I saw the greatest voluntary response of people to the needs of their fellow men that this nation had ever seen. Without being asked by anyone, people who had less than enough to satisfy their own needs shared what little they had

with those who were in worse condition.

And then something happened. Someone decided that the government could do a better job of feeding and caring for the unemployed, and a vast government handout program was launched. What happened? The spirit of charity that brought people to the aid of their fellow men was destroyed. The government tried to assume the mantle of Christian charity, the noblest characteristic of mankind, and the people themselves thought it would work; but it didn't. Oh yes, the poor were fed. The unemployed were given work of sorts; but the people of this country were changed. They had lost something. They had surrendered to government their moral responsibility—the thing that made them men and women—and from that we have not recovered to this day.

If we believe as our Founding Fathers did, then we must let man be free to develop his sense of responsibility in his own way, and we must have faith that he will. Christian charity is an individual act. It cannot be anything else. It springs from within men. It can't possibly be imposed on men by law; and how utterly ridiculous it is of us to think that it could be! Christian charity can't be expressed by any two people in the same way,

because no two of us think and feel alike; and it is exactly for that reason that our responsibility as Christians can't be delegated. Christian charity is not a responsibility which we can delegate to government; and when we attempt to do so, we only weaken ourselves and rob our society of the spiritual vigor which advances civilization.

Christian charity springs from respect of one individual for the dignity of another, from recognition by one of the divine spirit in another. When we come to understand that all men are endowed with the divine spirit, I think then, and only then, will we understand why men were meant to be free. ♦

TO THE GALLOWS

VERMONT ROYSTER



NEXT ITEM on the agenda: Price controls.

You don't have to have an inside pipeline to White House secrets or Jeanne Dixon's mystic gift of precognition to be tempted to that prophecy. All you need is a bit of perception and a good memory.

As a matter of fact, being privy to Administration councils might be a hindrance to foresight. Quite possibly the phrase has never been mentioned, and almost surely, if it has, the idea of resorting to the paraphernalia of coercive eco-

nomic controls has been rejected as politically undesirable and economically unnecessary.

President Johnson, having lived through two periods when the government tried to decide the wages of every plumber and the price of every handkerchief, is hardly eager to rush back into that maelstrom. His economic advisers, whatever else they may be lacking, are full of confidence in their ability to manage the economy with such a deft touch that inflation can be kept upon a perfect and joyous balance.

So an inquiry as to intent would bring a sincere denial of plans for government flats to fix prices, wages, interest rates, import quotas, foreign exchange rules, tourist allowances, or any other part of the panoply of economic controls.

All the same, mark it down. Barring the unlikely event of a complete reversal in the Administration's economic policy, we shall likely soon see one or more of these put forward. And before we're through, we may see them all.

The portents aren't obscure. For years now, under several Administrations, the Government has been steadily counterfeiting money. In effect — although modern techniques are much more sophisticated — it has been simply running the printing presses to "create" dollars out of pieces of paper. The process is in no wise different from the ancient one of alloying talents or clipping coins.

There is nothing obscure, either, about the historic results of that counterfeiting. Examples abound from the distant days of Diocletian to the modern times of Brazil.

With each depreciation of the currency, the prices of goods and labor rise; that is, the sovereign's solemnly issued money is worth less today than it was yesterday.

At first the change is slow and to the apparent prosperity of all. Then it proceeds more rapidly as the authorities find they must print more money to redress the imbalance from the higher prices caused by the earlier inflation.

Finally, there is so much disturbance that these same authorities feel they must try to quash the consequences of what they have done. In Diocletian's day they cut off the hands of "profiteers" who asked a dozen denarii for a loaf of bread. In eighteenth century France they hung the butcher.

But of course all this happened in ancient times or in distant climes. Things are different now, we are assured.

No one denies that we are enjoying the first stage of the traditional inflationary process. On the contrary, everyone in authority boasts of it. To inflation, and to their perspicacity in managing it, they attribute all our prosperity.

Their perspicacity was also to keep it in hand so that we would not have to pay any of the historic penalties for our happy rev-els. For a time they could point with pride, and quite accurately, that 10 years or so of inflation had brought only imperceptible increases in the cost-of-living index.

Some prices, in fact, declined. Even now such things as household appliances and many food items cost less than a year ago.

However, not everything has been coming up roses. In the past five years that "slow" increase in the cost of living has raised the index from 103.3 to 110.4, a total rise that's quite perceptible. In the last year alone there have been some spectacular increases in many areas, notably in clothes, meat, education, and medical care.

And in key areas elsewhere the pressures are mounting, the most publicized being steel, aluminum, and interest rates. The last item, incidentally, is especially significant because it is the price of borrowing today's dollars to be paid back with tomorrow's dollars and so closely reflects the effects of currency depreciation.

So now what are we told? Why, the whole trouble is caused by those wicked steel makers, aluminum makers, and bankers. All that's necessary to put everything right as rain is for them to voluntarily agree to restrain themselves. If they won't, by Lyndon, they'll just get bashed over the head.

We have already, then, the first efforts at price control. The fact that it is selective, and doesn't yet touch the butcher and candlestick maker, or that the coercion is not

by fiat but by threat, doesn't alter the fact that the government is undertaking to control prices. The government is also, by the same device, trying to control other economic activity, such as decisions on foreign investment.

In short, we are right on schedule. The country has passed through the primary stage of inflation, in which the cheapening of the money has only happy effects, and into the second stage where those effects appear less happy and even begin to threaten other economic desires and objectives. The response of the authorities is also right out of the book.

It's true enough that the process could stop at this point. All the government needs to do is stop clipping the coins. But quite apart from the normal difficulties of kicking the habit, we have now an added factor. The peril of imprudent men is always the unexpected, and in this case it's a war — a long and costly war. This year's deficit will be billions bigger than anticipated, and after that in unknown figures.

How long it will take to reach the tertiary stage is anybody's guess. But don't be surprised when the agenda includes a debate on hanging the butcher. ♦

This article is reprinted by permission from the December 3, 1965 issue of *The Wall Street Journal*, of which Mr. Royster is editor.

Lord Gifford's Legacy

EDMUND A. OPITZ

THE MOST DISTINGUISHED lectureship in the English-speaking world is sponsored in turn by the four Scottish universities – Edinburgh, Glasgow, Aberdeen, and St. Andrews – according to the terms laid down in the will of Adam Gifford. Lord Gifford drew up his will in 1885, died in 1887 at the age of 67, and the first series of Gifford Lectures was delivered in 1888. At regular intervals ever since a fat and solid volume has dropped from the presses. Taken together, this more-than-five-foot shelf of books – still growing – represents a monumental achievement of the mind in our time.

By splitting his endowment four ways, Lord Gifford introduced an element of competition into the intellectual scene. Four

separate committees, each having access to the finest scientific and philosophical brains in the world, vie with each other to bring the most prestigious lecturer to the local campus. And the scholar nominated for this post is put on his mettle. The appointment itself is a high tribute to his attainments, far outranking any honorary degree, and the realization that he is to address an audience loaded with distinguished scholars is just the stimulus needed to bring out a man's best efforts. William James never wrote anything more fascinating than *The Varieties of Religious Experience*, The Gifford Lectures for 1901-1902. Arthur Stanley Eddington, astronomer at the University of Cambridge, has made some lasting contributions to certain abstruse questions in astronomy and

The Reverend Mr. Opitz of the Foundation staff is active as a lecturer and seminar leader.

physics, but his reputation in the world of literate men endures with *The Nature of the Physical World*, The Gifford Lectures for 1927. Philosophers, scientists, theologians, and men of letters have trekked to Scotland for the past three-quarters of a century, and our intellectual heritage is vastly enriched as a consequence.

Adam Gifford was a jurist and judge. He was born in 1820, son of a man who had risen from humble beginnings to become treasurer and master of The Merchant Company. His mother was an independent thinker who instructed her children at home until they were sent off to learn Latin and Greek—at the age of eight! Adam later attended Edinburgh Institute and in 1849 was called to the bar. Seventeen years later he was Sheriff of Orkney and Zetland, and in 1870 was made a judge. He took his seat in the Court of Sessions, the supreme civil tribunal, as Lord Gifford.

The Giffords were a pious family. Adam's father was an elder in the United Secession Church and a zealous Sunday school teacher. This oddly named denomination had been formed the year of Adam's birth by the fusion of two dissident bodies which had seceded from the established church in the eighteenth century.

It was based on the principle of voluntary association, and it bred men given to independent thought and action, unwilling to take things for granted; men like Lord Gifford.

The Gifford Lectures

The private life of Lord Gifford is no concern of history, but the terms of his will are in the public domain. The Gifford Lectures are in the realm of natural theology, the discipline which seeks to trace the nature, meaning, and direction of the cosmic purpose by pondering the relevant evidence, and by reasoning hard and long. "I wish the lecturers to treat their subject as a strictly natural science, the greatest of all possible sciences, indeed, in one sense, the only science, that of Infinite Being, without reference to or reliance upon any supposed special exceptional or so-called miraculous revelation. . . ." These words have a distinctly old-fashioned ring, for natural theology is out of favor, for the moment, among the popular philosophers and theologians of our day.

Much hinges, of course, on the connotations of the word "natural." Human nature, strictly speaking, is not "natural"; it is a cultivated or learned thing superimposed on a biological substratum. The piety "natural" to Lord Gif-

ford was that of the Scotch Covenantaner strain, not that of some aborigine, and this faith is evident in the opening words of the will: "Having been for many years deeply and firmly convinced that the true knowledge of God . . . and the felt knowledge of . . . the relations of man and of the universe to Him. . . is the means of man's highest well-being. . . ." But so confident was Gifford of the ability of the unimpeded human reason to attain vital truths that he laid down no qualifications for the lecturers except unimpeachable competence and integrity:

The lecturers appointed shall be subjected to no test of any kind, and shall not be required to take any oath, or to emit or subscribe any declaration of belief, or to make any promise of any kind; they may be of any denomination whatever, or of no denomination at all (and many earnest and high-minded men prefer to belong to no ecclesiastical denomination); they may be of any religion or way of thinking, or as is sometimes said, they may be of no religion, or they may be so-called sceptics or agnostics or freethinkers, provided only that the "patrons" will use diligence to secure that they be able reverent men, true thinkers, sincere lovers of and earnest inquirers after truth. . . .

Four of the Gifford Lecturers have been Americans. William James of Harvard University has

been mentioned above. His book, he tells us, "would never have been written had I not been honored with an appointment as Gifford Lecturer." The lectures immediately prior to James were delivered by his Harvard colleague, Josiah Royce, resulting in a huge tome entitled *The World and the Individual*. Harvard has not won the nod again, and we note that the recent paperback edition of Royce is introduced by Professor John E. Smith of Yale University!

A quarter of a century was to pass before another American was invited to lecture, and this time it was John Dewey. His ten lectures, half the customary series, resulted in the book, *Quest for Certainty*. I had a semester seminar on this volume, which disqualifies me from commenting impartially! Reinhold Niebuhr lectured at Edinburgh in the spring and fall of the fateful year, 1939. To those of you who know only the Niebuhr who charges wildly about the political arena, and who is forever making dubious pronouncements on economics, be advised that there is another Niebuhr or, more precisely, another and more important facet of the same man. The lectures were published in two volumes as *The Nature and Destiny of Man*, and they are brilliant. They are hard reading, occasionally disputatious, but bracing.

Scotland's Contribution

Scotland has never lacked philosophers. Adam Smith, it will be recalled, taught moral philosophy at the University of Glasgow. His like number at Edinburgh until 1941 was the late A. E. Taylor whose Gifford Lectures published in 1930, *The Faith of a Moralist*, remains my favorite of kind. This nearly 900-page treatise by the great Platonist is a modern philosophical classic, but it has none of the jargon philosophers employ when they talk to each other. Lord Gifford stipulated that "the lectures shall be public and popular. . ." and most of the speakers have tried to comply. But "natural theology," the stipulated subject matter, is intrinsically difficult, and "popular" in this context means only that the writer has taken pains to be lucid; none of these books is easy reading. Taylor, incidentally, is one of the few moralists who is aware that the term "value" in ethics does not have the same connotation as the word "value" in economics. When the economist speaks of "values," he is not referring to moral norms, but to the degree of consumer preference for this item over that which issues in the pricing of economic goods.

W. MacNeile Dixon taught English literature at the University of Glasgow for more than forty

years, retiring in 1935. He was called abruptly out of retirement upon the death of philosopher Emile Meyerson, the 1935 choice, and delivered two courses of lectures. *The Human Situation* is a far-ranging and beautifully written book. Most of the other Gifford Lectures are books to wrestle with; this is a book to live with — and live by. It has a poetic quality found only rarely in conjunction with deep thought.

The Human Situation, appropriately enough, is bounded on the one side by theology and on the other by physiology. The lecture series immediately prior to Dixon was delivered by the eminent English churchman who later became Archbishop of Canterbury, William Temple. *Nature, Man and God* floored me at first exposure in a seminar course, and I still find it hard going; but it is a great book. Following Dixon came Sir Charles Sherrington, the eminent medical man and physiologist, with *Man on His Nature*. "Individuality would seem to be through complexity an aim of life," says Sherrington, thus continuing a stress which runs like a thread through the Gifford Lectures — an emphasis on the individual person and his latent possibilities.

Sherrington worked after the manner of the historian and especially the scientist, reasoning

inductively from a body of data. The other approach is deductive reasoning which seeks to draw out the full implications from a seemingly simple axiom or observation. This is the approach of the Cambridge philosopher, W. P. Sorley, who began his series of lectures in 1914; *Moral Values and the Idea of God* is one of the finest examples of sustained logic in the language. Most philosophers, Sorley notes, frame a theory of the cosmos, and then from their metaphysics derive an ethic. But it is a fact that men at every cultural level do make moral decisions and cannot avoid doing so; therefore, any theory of the cosmos which fails to include the fact that men make choices according to their understanding of right and wrong is to this extent based on incomplete data. Sorley starts with the axiom that human experience includes valuations and judgments based on moral factors, and 510 pages later he has extracted all the meat and juice from this idea.

An English churchman, the Bishop of Woolwich, recently made quite a stir on both sides of the Atlantic with a thin thing called *Honest to God*. The old metaphors aren't what they used to be, the Bishop appears to be saying, and never were! It is our bad habit, he points out, to think and speak of God as being "out there." Spa-

tial metaphors are misleading, true, but then the Bishop — influenced by Freud and depth psychology — declares that God is "in here." This appears to continue a spatial metaphor, or at least a directional one. Man is a symbol-using animal, not only in his religion but in his science. A symbol is a thing standing for something else, and if we mistake it for the thing it signifies, the confusion is compounded. The noted Hellenist, Edwyn Bevan, explored these matters with characteristic thoroughness in his Lectures, published as *Symbolism and Belief*. When this book was reprinted in this country in 1957, the event passed unnoticed.

"The Honor Is Very Pleasant"

It would be interesting to go behind the scenes with the Gifford Lectures and watch these men react to their task, but such autobiographical data is not available, except where personal journals and papers have been made public, as in the case of the late Dean Inge. William Ralph Inge was a classical scholar as well as a theologian, and his articles in the weekly press put his name before a wide public. His Gifford Lectures on Plotinus, the great pagan philosopher of the third century of our era, is still the standard work on the man. The offer came

to Inge on March 13, 1917, and the full journal entry reads, "A letter from Lord Haldane. The University of St. Andrews has decided by a unanimous vote of the Gifford Committee to offer me the Gifford Lectureship. I shall have to break up my book on Plotinus into lectures, but this I can do easily. The honor is very pleasant." The invincible calm of these Englishmen! we say. But go back in the Dean's journal. A 1908 entry reads, "My wish now is to write a modernised defense of Plotinus' philosophy of religion, which I think would make a good book for the Gifford Lectures, if I am ever invited to give them." That hope was nourished for nine years before being consummated.

One would also like to know what goes on at a meeting of the Gifford Committee. Why, for instance, should a lectureship centering on natural theology be offered to a man who denies the very idea of natural theology—even if he is the world's most famous theologian? Karl Barth opened his lectures with these words: "It can only be to the good of 'natural theology' to be able once again to measure itself as the truth—if it is the truth!—by that [Barthianism] from which its point of view is the greatest of errors. Opportunity is to be given to do this here." The wraith of old

Gifford must have squirmed at this, trying to learn what natural theology is from a long and involved discussion of what it is not! Why was the unsympathetic Barth given the nod when men of the stature of Henri Bergson, F.C.S. Schiller, Alfred North Whitehead, and C.D. Broad went untapped? Two other names come to mind: Bertrand Russell and Friedrich von Huegel. The former might have been written off as a headline hunter; and as for the latter, well, no Roman Catholic delivered the Gifford Lectures until 1947, when the eminent historian, Christopher Dawson, produced the important work published as *Religion and Culture*. Dawson's second set of lectures appeared as *Religion and the Rise of Western Culture*. The high repute of Dawson's work needs no touching up from me.

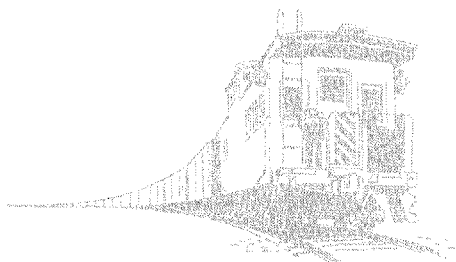
The Unfinished Task

Mention of von Huegel raises another question. His major work is a huge two-volume study of *The Mystical Element of Religion*. Mysticism receives more than passing attention at the hands of many of the lecturers, but not one of the series is devoted entirely to this subject, as perhaps the most important facet and feeder of natural theology. Von Huegel would have been up to such a task; likewise Rufus Jones, the Ameri-

can Quaker; likewise Evelyn Underhill. Mention of this last name reminds us that no woman has yet delivered the Gifford Lectures. Now, philosophy is not woman's forte, but Evelyn Underhill is top rank in her specialty, and women like Susan Stebbing and Dorothy Emmet are sounder than certain popular male philosophers who shall remain nameless.

It would be pleasant to conclude by saying that the things Adam

Gifford exemplified in his life and tried to perpetuate in his will — things like personal piety, individual self-reliance and hard work, the validity of reason and the power of philosophy — were stronger now than in 1887. Alas, they are weaker. But they are not lost! The old landmarks are still there for those who would search them out, and old Lord Gifford's legacy is the fountainhead of an enduring series of them. ♦



Today's Robber Barons

K. FRITZ SCHUMACHER

MODERN robber baron state tax assessors are more ruthlessly predatory than their medieval counterparts who looted commerce on the River Rhine. Ancient commerce was not restricted to one unimproved waterway or primitive overland route. It was free to select the route least subject to

depredation by local "tax collectors."

In this respect, modern interstate commerce by railroad is less fortunate. It is chained to its privately owned and improved right-of-way, inhibited by government regulation in all matters, including re-routing. State property tax assessors take advantage of out-of-state owned corporations with no local vote. They assess railroad

Though long retired, Mr. Schumacher continues "workin' on the railroad" through his one-man "Free-Lance Society for Prevention of Cruelty to the Iron Horse."

property at a higher percentage of market value than similar locally owned property. Thus, they appropriate the inherent economy of railroad transportation for tax purposes. Local taxpayers, so relieved of part of their burden, naturally do not object.

The indulgent North American taxpayer has been thoroughly brainwashed to believe the fable of railroad obsolescence. This fable offers a convenient smoke-screen behind which politicians cannibalize railroads for the benefit of subsidized nonrail transport, spawned in political pork barrels. The ability of self-reliant railroads to withstand political abuse is their weakness. They offer no opportunity for waterway-style pork barrel rolling.

Discriminatory taxation levied against railroad property began innocently enough in the early days of the industry. Railroads then had little or no competition and taxes were moderate. A tax on railroad transportation could be evaded only by resort to horse-drawn vehicles. Railroads, then as now, leaned over backward to demonstrate good citizenship in states which, then as now, searched frantically for sources of additional tax revenue.

Many state constitutions specify uniform property tax rates, but do not prohibit nonuniform

assessment values. Resourceful assessors take full advantage of this loophole. They assess railroad property at a higher percentage of market value than other comparable commercial property. Every property owner is painfully aware of skyrocketing property taxes due to reckless political spendocracy. Taxes on punitively evaluated railroad property, raised in proportion, have reached ruinously confiscatory levels. Self-preservation dictates firm resistance to further political attempts to kill the goose that lays the golden railroad tax egg.

In 1961 the railroad property overassessment ranged from $1\frac{1}{2}$ times that on other private property in Virginia to $6\frac{1}{4}$ times in Arizona. The table below shows the relative overassessment of railroad property in 24 states, listed in descending order of magnitude, and computed from figures published in *Railway Age* for December 9, 1963. The overtax in dollars appears in the same article. Instances are on record in which railroad property, placed on the market, sold for less than the yearly tax take.

This, according to *Railway Age*, happened in Hudson County, New Jersey: Pennsylvania Railroad unloaded property of assessed value of \$621,000 for a selling price of \$19,471 and thereby shed a yearly

1961 COMPARABLE PRIVATE COMMERCIAL AND RAILROAD PROPERTY TAX

<u>State</u>	<u>Commercial</u>	<u>Railroad</u>	<u>Rail Overtax (Estimated)</u>
Arizona	\$100	\$627	\$6,348,366
Wyoming	100	490	2,592,636
Montana	100	473	5,764,795
New Mexico	100	446	1,787,999
Idaho	100	382	3,293,139
New Jersey	100	343	11,874,423
Tennessee	100	299	4,597,737
Kansas	100	290	8,472,279
Oklahoma	100	259	3,927,851
California	100	258	14,150,498
Mississippi	100	250	1,974,756
Iowa	100	245	4,464,561
South Dakota	100	236	797,271
Illinois ¹	100	217	20,725,603
Kentucky ²	100	217	3,127,387
North Dakota	100	210	2,884,610
Alabama	100	198	1,557,587
Louisiana	100	196	2,039,064
Missouri	100	194	4,571,649
Utah	100	193	1,919,882
North Carolina	100	154	791,270
Nevada	100	151	808,960
West Virginia	100	148	2,487,902
Virginia	100	137	2,019,192
Total 1961 Railroad Overtax:			\$112,979,417

¹ In 1963 Illinois enacted a law (SB 946, approved August 26, 1963) requiring assessments of railroads at the same percentage of full value as local property is assessed. However, a number of Illinois lines contested the 1963 assessments, claiming that arbitrarily increased values offset equalization.

² In recent years, the State of Kentucky has made a substantial effort to bring railroad property assessments into line with the assessment of local property and hopes to accomplish this objective in 1966.

tax load of \$52,226. Another road sold land assessed at \$857,000 with annual taxes of \$66,000 for only \$40,000. Examples of flagrant overassessment of railroad property, given in *Railway Age*, are not limited to the 24 states tabulated. New York Central's discontinued West Albany car repair shops were sold for \$500,000. Assessed value for railroad taxes was \$1,500,000. The new owner, not in railroad business, enjoyed a miraculous depreciation to a mere \$300,000!

The "Doyle Report" on transportation policy to the United States Senate gives the experience of the Pullman Company at Richmond, California, in 1960. Property, sold by the company and carried on the tax rolls at \$342,830, was reassessed for the new private owner at \$190,000.

Tax proceeds in most states are used indiscriminately for highways, airports, waterways, and

other indirect subsidies to railroad competitors. Thus, bureaucrats are in a position to re-allocate railroad traffic to subsidized, property-tax-exempt, nonrail transport. The results of arbitrary, political traffic redistribution are all too evident. A new public highway is immediately congested by long-haul truck traffic. A tax-paying parallel railway line loses traffic, to operate far below capacity.

It is high time that administrators of Mid-Victorian railroad taxing and regulating policies understand that railroads were built in good faith to provide vital transportation service. State tax looting practices severely hamper railroad ability to serve customers and invite long overdue congressional action to stop depredations on interstate commerce. Robber baron tax collectors for 24 states are looting travelers and shippers residing in all 50 states. ♦

IDEAS ON LIBERTY

Lincoln, Today

PAUL FISHER, of Redondo Beach, California, suggests, that if Lincoln were commenting today, his statement might have been:

"We cannot use the law to favor some of the people some of the time without endangering the freedom of all of our people, for all time."

the Fiasco of Urban Renewal



MARTIN ANDERSON

BUSINESS LEADERS have heard many times in recent years that our housing and our cities are decaying, that private enterprise cannot save them, that the government must step in and "help" private enterprise with urban renewal, and that they — as responsible citizens and businessmen — should collaborate with the government in this effort.¹ In my judgment, none of these statements is true.

The purpose of this article is to evaluate the federal urban renewal program — its goals, its methods, its accomplishments — and to compare them with those of the free marketplace. A comparison of the results that these two forces — the federal urban renewal program and private enterprise — have produced since 1949 brings out some fundamental issues and questions that have been obscured in a fog of good intentions and platitudes. The basic question is this: Should the federal urban renewal program be continued and expanded, or should it be stopped? I shall argue that it should be stopped.

¹ See, for example, Leland Hazard, "Are We Committing Urban Suicide?" *Thinking Ahead*, *Harvard Business Review*, July–August 1964, p. 152.

Dr. Martin Anderson is Associate Professor of Economics and Finance, Graduate School of Business, Columbia University, and author of *The Federal Bulldozer*. This article is reprinted by permission from the January–February 1965 issue of the *Harvard Business Review*.

Goals of Renewal

In response to continual exhortation and pressure to do something to "save" the cities and improve housing, Congress enacted the federal urban renewal program in 1949, proceeding on the conviction that a program of this type would help to —

... eliminate substandard and other inadequate housing through clearance of slums and blighted areas;

... stimulate sufficient housing production and community development to remedy the housing shortage;

... realize the goal of a decent home and a suitable living environment for every American family.

I doubt that anyone can argue with these goals. Better homes, improved neighborhoods, and the elimination of slums — all are desirable. The difficulty is not with the goals, but with the means of accomplishing them and with the consequences that result.

What the Program Is And How It Works

In essence the federal urban renewal program attempts to rebuild rundown areas of cities by feeding large amounts of public money and government power into the normal operations of the private marketplace. It does not complement the private market; it short-circuits it.

This is how the program works. First, a section of a city is designated as an urban renewal area, and plans are drawn up and approved by the local renewal agency, the local governing body, and the federal authorities in Washington. A public hearing is then held at which local renewal officials document their case for urban renewal. At this time other persons interested in the project have the opportunity to speak for or against it.

Once the planning is complete, execution starts. Though some execution activities may be carried on simultaneously, there are six basic steps:

(1) *Land acquisition.* The land and the buildings are usually acquired by negotiation with the owners, but if this fails, the renewal authorities will use the power of eminent domain to force the recalcitrant owners to sell; in cases like this, the purchase price is determined by independent appraisers.

(2) *Displacement and relocation.* Individuals, families, and businesses located in the area are forced to move and find homes or establish businesses elsewhere. The law provides for some compensation and requires renewal authorities to relocate them satisfactorily, although in practice this does not always happen.

(3) *Site clearance.* The wrecking cranes and the bulldozers demolish

any buildings not considered useful by the renewal authorities.

(4) *Site improvements and supporting facilities.* The cleared land is usually improved by the construction of streets, sewers, water mains, lighting systems, schools, libraries, and parks.

(5) *Disposition of improved land.* The cleared and improved land can be sold, leased, donated, or retained by the renewal agency. Usually the land is sold to private persons either by competitive bidding or by negotiation between renewal officials and the private buyer.

(6) *New construction.* The new construction may be residential, industrial, commercial, or public; so far it has been predominantly private residential. The private developer is usually obliged to build according to a general plan approved by the renewal authorities.

This, then, is urban renewal — damned by some, praised by many, and understood by very few. At first glance, urban renewal would seem to be a most desirable program, both plausible and appealing. The picture is often painted like this: *before* — dirty, dark, ugly slums; *after* — clean, bright, beautiful buildings. The contrast is clear, the appeal seductive, but this picture shows only the hopes and wishes of urban renewal. The realities of its costs and consequences are drastically different.

Everybody Pays

Urban renewal is, of course, expensive. The gross project cost of urban renewal includes all expenses incurred by a local renewal authority — planning costs, land, buildings, overhead, interest, relocation, site improvements, and supporting facilities.

Assume that all this costs \$9 million for a good-sized project. Where does the money come from?

Some of it comes from private developers who buy the cleared and improved land. On the average, private developers have been buying urban renewal land for about 30 per cent of the gross cost of the project — say, \$3 million for our \$9 million project. This leaves the city with a net cost of \$6 million. The federal government will pay two-thirds of this net cost, or, in this case, \$4 million.

Thus, for our \$9 million project, we get \$3 million from the private developer who becomes the new owner, \$4 million from taxpayers all over the United States, and \$2 million from taxpayers living in the community with the urban renewal project. Additional features, called non-cash grants-in-aid, can reduce the net cost to the city still further.

Because the federal government subsidizes two-thirds of the net cost to the city, some people

feel that urban renewal is a bonanza that cannot be passed up. This might be true if only one city were engaged in urban renewal; but there are over 1,500 projects in about 750 cities throughout the country. Through federal taxes, the residents of any one of these cities are helping to pay for all the other projects. As more and more cities attempt to "get their share" and the over-all cost of the program rises, the cost to all necessarily increases.

Better Housing?

One of the most serious consequences of the federal urban renewal program is the effect that it has had on the supply of housing, especially low-rent housing. This is ironic because one of the goals of the program is to improve living conditions. Why has this goal not been realized?

The typical urban renewal project destroys a great many homes. Between 1950 and 1960, the program was responsible for the destruction of approximately 126,000 housing units. Of these homes, 101,000 had been classified as substandard by the local renewal authorities, while 25,000 were in good condition. The good ones were destroyed because they were judged to be incompatible with the proposed plan for the area.

I have estimated that in this

same decade approximately 28,000 new housing units were completed within urban renewal areas.² About 25,000 of these were privately owned homes; 3,000 or so were public housing units. Score: 126,000 down, about 28,000 up. This means that almost four times as many homes were destroyed as were built.

The total effect on housing conditions was even worse. All the 126,000 homes that were destroyed were located in older sections of cities, and almost all were low-rent units. It is doubtful whether the average rent paid exceeded \$50 or \$60 a month. On the other hand, the rents of the new privately owned homes were very high. For example, those homes built in 1962 in urban renewal areas had rents averaging \$195 a month. (A small percentage rented for over \$360 a month!) Hence it was virtually impossible for any person displaced from an urban renewal area to move back in; he could afford it only if he moved into public housing. And only 3,000 units of public housing were built — an insignificant number in comparison to the number of units destroyed.

Thus the net effect of the federal urban renewal program in

² *The Federal Bulldozer* (Cambridge: The Massachusetts Institute of Technology Press, 1964), pp. 65-67.

the field of housing for the period I have studied can be summed up in this way:

- More homes were destroyed than were built.
- Those destroyed were predominantly low-rent homes.
- Those built were predominantly high-rent homes.
- Housing conditions were made worse for those whose housing conditions were least good.
- Housing conditions were improved for those whose housing conditions were best.

Improved Living Conditions?

Private studies indicate that the people displaced by urban renewal usually move into housing of approximately the same quality as the housing they were forced out of—but they often pay more for it. Their predicament is compounded, not alleviated, by urban renewal. Government studies, on the other hand, indicate that about 80 per cent of the displaced people move into standard housing. Obviously, both the private studies and the government studies cannot be correct.

I suspect the reason for the discrepancy between them is that local government officials decide whether or not a dwelling unit in an urban renewal area is standard or substandard, and their estimates are therefore subject to

bias. An official interested in speeding up the process of an urban renewal project may be tempted to apply high housing standards to justify the taking of the property, and then, when it comes to relocating the people displaced, he may be tempted to use quite low housing standards to justify the quick relocation of these people.

The notion that over 80 per cent of the displaced people move into good housing is difficult to reconcile with other relevant facts. The people living in these areas are relatively poor. A great many of them come from minority groups; approximately two-thirds of all those forced to move are Negroes and Puerto Ricans. Good-quality, conveniently located housing costs so much more than poor housing that it is difficult to conceive of hundreds of thousands of low-income people, many of them subject to racial discrimination, suddenly moving from low-quality housing into higher-quality housing at rents they can afford.

And then one might ask the following question. If it is true that all this good-quality, conveniently located, low-rent housing is available, why then is it necessary to force these people out of their homes with a bulldozer? Would it not be far simpler, more just, and much cheaper just to *tell* them

about the better homes available elsewhere?

One Million Evictions

The number of people affected by the program was small during its first few years of operation. But I have estimated that as of December 31, 1962, approximately 1,665,000 persons were living or had lived in urban renewal areas. This is about the same number of people that live in Detroit, Michigan—the fifth largest city in the United States. Some of these people have already been forced out; the rest will be on their way eventually.

The number of people actually evicted so far is very large. By March 31, 1963, about 609,000 persons had been forced to move, and the number has, of course, continued to go up. I estimate that at least 1,000,000 people will be evicted by the end of 1965. And this is by no means the end; in fact, it is probably just a small start. In 1962, William Slayton, the Commissioner of the Urban Renewal Administration, stated that approximately 1,000,000 families would be displaced during the next decade. This means that somewhere around 4,000,000 persons will be actually displaced by 1972—or about one person out of every 50 living in the United States.

Good for Business?

Although most urban renewal areas are predominantly residential, they often contain a number of businesses. These businesses range from one-man offices to industrial concerns with several hundred employees. According to a 1960 report financed by the Small Business Administration:

It is estimated that there are over 100,000 business firms in all 650 project areas. . . . The approximately 100,000 firms scheduled for dislocation from project areas on December 31, 1959, represent a beginning only. . . . New projects have been started at an increasing rate. Although no precise forecasts have been made, it is expected that the volume of business dislocations from renewal areas over the 1960-1970 decade will be at least twice the 100,000 already underway or planned.³

What happens to a business when it is forced to move? Does it stay in business? Where does it move to?

According to the study quoted above, many firms never relocate at all. This study covered 14 cities with 21 urban renewal projects containing a total of 2,946 dis-

³ William N. Kinnard, Jr. and Zenon S. Malinowski, *The Impact of Dislocation from Urban Renewal Areas on Small Business*, prepared by the University of Connecticut under a grant from the Small Business Administration, July 1960, pp. 2-3.

placed firms. The finding: 756 of them either went out of business or disappeared. Similar findings have been made by others:

- A study conducted by Brown University in the city of Providence, Rhode Island, found that 40 per cent of the businesses displaced went out of business.⁴

- A study prepared by the Library of Congress concluded that urban renewal projects "are destroying small businesses and jobs and contributing to the unemployment problem."⁵

What about rents for firms forced to relocate? In the study prepared for the Small Business Administration, a sample was taken of four cities that contained 1,142 displaced firms. Only 41, or 3.1 per cent, actually moved back into the urban renewal area. The researchers observed:

... Approximately 75 per cent of those who do relocate find quarters within one mile of their former location; and nearly 40 per cent within one-quarter mile. They generally occupy about the same floor area they did before (which is less than they claimed to want or need), at a square foot rental at least double what they were paying (which is much more than they claimed to be

able to afford or to be willing to pay).⁶

The Tax Myth

One of the most valued arguments presented by those who favor expansion of the urban renewal program is that it will strengthen and increase the tax base and thus increase tax revenues to the city. Unfortunately, this has not happened, and the chances of urban renewal producing a significant tax revenue increase in the future are small.

The latest data I have on new construction actually started in urban renewal areas goes through March 31, 1961. It shows that the urban renewal programs actually *decreased* the tax revenues flowing into the cities' tax coffers. By the end of 1960, approximately \$735 million of real estate had been destroyed in urban renewal project areas. About \$824 million of real estate construction had been started, \$577 million of which was privately owned and thus taxable. If we optimistically assume that 70 per cent of this total amount privately started was ever finished, the net result is about \$400 million worth of taxable property — \$335 million *less* than we had before urban renewal!

Is this a temporary situation,

⁴ Chamber of Commerce of the United States, *Washington Report*, December 20, 1963.

⁵ *Ibid.*

⁶ W. N. Kinnard, Jr. and Z. S. Malinowski, *op. cit.*, p. 75.

or is an adverse tax effect a fundamental quality of urban renewal? Several factors militate against net tax increases:

(1) Interim tax losses from real estate destroyed are often overlooked. Once buildings are down, no taxes are paid on them. Nor are any taxes paid until new buildings have been put up. The new buildings will probably be worth much more than the old ones. But the length of time between the destruction of the old buildings and the construction of the new ones can easily be five years or more. During this time the city is losing tax revenue.

(2) Tax revenue increases that would have occurred in the absence of urban renewal must be considered. In most cases, a certain amount of new construction and rehabilitation would probably have been accomplished with private funds, thereby increasing the tax base with no cost to the city.

(3) Much of the new construction in the urban renewal area would have been built elsewhere in the city anyway. Some experts in the field estimate that from 50 per cent to 75 per cent of this construction would have been accomplished by private enterprise.⁷

(4) Many of the new tenants in an urban renewal area will come from other parts of the city. What happens to the value of the buildings they vacate?

(5) Some cities have had to give special tax abatements to induce private developers to come in. This, of course, will further reduce any net gain in tax revenues that might materialize.

To be sure, *some* of the factors operating may tend to increase the tax revenues. If an urban renewal project is successful, it is possible that the value of the surrounding buildings may increase. But before this is translated into increased taxes, the assessment on the buildings must be raised.

The whole issue of tax revenue changes is still a cloudy one and will probably remain so. It should be kept in mind that the net change will be the result of many complex factors. It is not enough just to compare the value of the old real estate with the proposed value of the new real estate. Timing of payments, effect on the rest of the city, what would have happened without urban renewal—these must all be considered, along with the fact that the process of urban renewal itself costs the city a considerable amount of money.

Constitutional?

Under the Constitution of the United States, it is understood that a man is free to use his property as he desires as long as he does not interfere with the rights of others. Traditionally, public

⁷ See *The Federal Bulldozer*, pp. 180, 181.

use is the *only* reason for which the government may seize private property. The Supreme Court changed this in 1954, and today, under the federal urban renewal program, it is possible for the government to seize the property of one man, destroy it, and then sell the cleared land to some other man at a negotiated price.

The Constitution clearly states that the power of eminent domain may be used only to seize private property for public use. Approximately 70 per cent of the new construction in urban renewal areas is privately owned. By no distortion of the thinking process can this be construed to be a public use; it is clearly a private use.

The Supreme Court essentially justified this procedure on the grounds that it was in the public interest. They neatly sidestepped the problem of clearly defining the public interest. The use of the public interest to justify a government program often means that one group of people will gain at the expense of some other group. Those who do not mind sacrificing the rights of a few persons in the name of the public interest eventually may end up sacrificing the rights of the public in the name of the public interest.

The equation of public interest with public use is a dangerous principle to accept. It means that

the government theoretically could seize anyone's property for any reason that an official claimed was in the public interest if he could justify it to the satisfaction of the court. Every citizen has the responsibility of questioning the decisions of the Supreme Court. The Court is not infallible in its interpretation of the law; and its decisions can be reversed.

Power of Free Enterprise

According to certain experts, things are getting worse in urban housing. In a report of the President's Commission on National Goals in 1960, Catherine Bauer Wurster stated:

There is a great deal of seriously substandard housing in American communities, and spreading "gray areas" in various stages of actual or potential decay, plus commercial and industrial blight. It is quite evident that economic progress alone does not cure these evils, and that local governments cannot do the necessary job alone. . . . ⁸

Others have made similar statements. If they are correct, it seems that we are in for serious trouble. Fortunately, the actual developments of recent years contradict these pessimistic opinions.

⁸ "Framework for an Urban Society," *Goals for Americans — The Report of the President's Commission on National Goals* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1960), p. 229.

Impressive progress has been made toward achieving the objectives set forth by Congress in 1949. Over-all housing conditions have improved dramatically, in cities and outside of cities, for the poor and for the rich, and for the nonwhites as well as the whites. This progress has been furthered by businessmen operating in the free marketplace. To summarize some of the more important aspects of the record:

- Both the relative and absolute changes in housing quality between 1940 and 1960 were striking. In 1940, 51 per cent of all housing in the United States was considered standard or sound; in 1950 the proportion had moved up to 63 per cent; and in 1960, fully 81 per cent was classified as standard. If this trend continues, it is likely that the Census of 1970 will reveal that 90 per cent to 95 per cent of all our housing is standard.

- From 1950 to 1960 alone the total number of standard homes increased from 29.1 million to 47.4 million, a 63 per cent increase in just ten years. This increase of over 18 million standard homes was the result of both new construction and rehabilitation. Over 12 million new units were built, and the number of substandard units declined from 17 million to under 11 million. Virtually all of this was accomplished by private construction, rehabilitation, and demolition efforts; massive amounts

of private funds were invested in housing. These investments were in no way connected with the federal urban renewal program.

- From 1945 to 1960, private mortgage debt outstanding increased by almost \$170 billion. Although approximately 40 per cent of this total was insured by the federal government through the Federal Housing Administration and the Veterans Administration, this does not mean that the government was responsible for the increase in housing quality. The underlying demand for housing and the growing income of those who desired better housing were clearly the predominating factors. The effect of government insurance programs was probably to produce a slight increase in the amount of housing starts; but it should be kept in mind that if these government insurance programs had not existed, private insurance companies, such as the Mortgage Guaranty Insurance Corporation, would have surely developed at a much faster rate than they did.

- The amount of really bad housing — that classified as dilapidated by the Bureau of the Census — declined from 9.8 per cent in 1950 to 5.2 per cent in 1960. The 1960 over-all vacancy rate was slightly over 9 per cent. The number of dilapidated homes was actually smaller than the number of vacant homes. Vacancy rates were much higher for poor housing than for good housing. In 1960, 6.8 per cent of the standard housing was vacant, where-

as the vacancy rate was 20 per cent for dilapidated housing. Then, as now, the fact seemed to be that there were a certain number of people who either could not or would not spend enough money to rent or to buy the available standard housing.

Housing for Minorities

It is sometimes charged that the free working of capitalism cannot produce gains for some groups of people, particularly the nonwhite population. Many are convinced that the only answer must lie in the direction of greater government intervention and higher public subsidies.

In fact, the nonwhite population of the United States has enjoyed a very substantial increase in the quality of its housing. From 1950 to 1960 there was an over-all net increase of 1,813,000 standard units and a decrease of 537,000 substandard units. Between 1950 and 1960, the per cent of standard housing occupied by nonwhites doubled — going from 28 per cent to 56 per cent. Most of the bad housing is now located in the South, where only 38 per cent is standard. In the Northeast, 77 per cent is standard; in the North Central, 73 per cent; in the West, 79 per cent. In comparisons like this it should be remembered that the rents paid by whites are about 29 per cent higher than those paid

by nonwhites, and that the values of the homes owned by whites are over 82 per cent higher.

The housing conditions of nonwhites have improved substantially, and although the quality of their housing does not yet equal that of the whites, it is rapidly approaching it, particularly in areas outside the South. Compared to the federal urban renewal program, the private marketplace is making swift, substantial progress.

Marching Metropolises

The same type of improvement in housing quality that has taken place throughout the country has taken place in our cities. In 1960, fully 88.6 per cent of the housing located in central cities of over 100,000 population was classified as standard. In these same 128 central cities, the dilapidated housing had declined to slightly over 3 per cent of the total. In our 13 largest cities, taken as a group, 90.1 per cent of all housing was standard in 1960; only 2.6 per cent was dilapidated.

Housing quality in cities has been continually improving, and now, as in the past, housing in cities is substantially better than in the country taken as a whole. Today the bulk of the relatively small amount of bad housing that still exists lies outside of our

cities, particularly in the rural areas. Only 18 per cent of the substandard housing lies within cities having populations of more than 100,000. There appears to be a definite correlation between the degree of urbanization and the amount of good housing.

Since the war, construction activity has been booming all over the United States and its cities. From 1950 to 1960, approximately \$52.6 billion of new building construction went up in cities with populations over 100,000. Only a little over 1 per cent of this was urban renewal construction. If our cities are "declining," as is often claimed, how does one account for the steady increase in building activity?

What about the worrisome claim that the middle-income group is disappearing from the city? The city of the future is prophesied by some as the city of the very rich and the very poor. The facts indicate that this has not happened and probably will not happen. If we define "middle-income" as \$4,000 to \$10,000 a year, we find that almost 57 per cent of all people living in large cities fall within this range. In fact, the income distribution in large cities is roughly the same as that for the country as a whole. Today's city is not the city of the very rich and the very poor; it is predom-

inantly the city of the middle-income group.

By any objective measure, the indications are clear that our cities—in over-all terms—are continually improving and that today they are better than they ever were before.

Validity of Data. The foregoing facts were taken from the data on housing quality collected every ten years by the Bureau of the Census. These Census data were the result of observations made by 150,000 enumerators, all of whom were given careful instructions on how to classify housing.

The three categories used in 1960 were "sound," "deteriorating," and "dilapidated." Categories or definitions of categories vary slightly from decade to decade, but adjustments were made to make the data comparable in time, and the effect of the slightly changed definitions was negligible. Generally speaking, "sound" housing has no defects or has slight defects that would normally be corrected during regular maintenance (lack of paint, for example). "Deteriorating" housing needs more repair than that required by normal maintenance (a shaky porch or broken plaster, for example). "Dilapidated" housing does not provide safe and adequate shelter.

Although the Bureau of the Census data can be criticized, they are by far the best available today — most accurate, broadest in scope, and most consistent over time. I emphasize this because a considerable number of self-styled experts consider their lone opinions superior to those of 150,000 trained enumerators. They would justify their conclusion that the city or housing is deteriorating solely on the basis of their visual impressions. This is not a valid way to measure changes in housing quality. The amateur's experience is very limited, his standards cannot be identified, and there is no way of knowing whether his standards change from year to year.

The next time you hear that the city is deteriorating, ask: "In what way? By whose standard?"

Conclusion

Since 1949 two different methods have been used to grapple with the "problems" of housing and cities. One of these is basically the system of free enterprise, guided by the complex interplay of the marketplace. The other force is the federal urban renewal program, guided by over-all plans prepared by city planning experts and backed up with the taxpayers' money and the police power of the government.

The facts tell us that private enterprise has made enormous gains, while the federal program has not. Contrast, for example, the fantastic increase of 18 million homes in areas outside urban renewal projects with the net decrease of homes within urban renewal projects. Consider also the decrease in low-rent housing and the increase in high-rent housing in the urban renewal areas; urban renewal actually subsidizes high-income groups and hurts low-income groups. Add to this the destruction of businesses and the forcible displacement of people from their homes. The program endangers the right of private property — commercial and residential — in its equating of public interest with public use.

The over-all results of the government's program, when compared to the results of private forces, are negligible. Its over-all costs, when compared with its results, are high. On balance, the federal urban renewal program has accomplished little of benefit in the past, and it appears doubtful that it will do better in the future.

However, there are times when participating in a federal urban renewal project — as a contractor, a banker, or a businessman — may be attractive if only short-run gains or profits are considered.

Participation may make it possible for a businessman to get that location he wants from an owner who has been unwilling to sell; it may renovate an adjacent area and thus increase the value of his property; it may eliminate buildings that are visually offensive to him; and he may even make some money out of it.

But in supporting the program for these or other reasons, the businessman should be aware that he is supporting a government program that, in the long run, is detrimental to his own interests. It uses the concept of eminent domain in such a way that private property — business as well as residential — can be taken and resold by the government to other private persons for their own use simply because it is supposed to be in the public interest. It implies acceptance of the idea that private enterprise cannot work effectively in the field of housing and that government must intervene, when, in fact, this is not true. It subsidizes some businesses and construction interests that are in direct competition with those of other private businessmen. During execution it lowers the tax base of the city — in some cases perhaps permanently — and thus increases the tax burden for the rest of the city.

And, finally, the businessman may be hurt directly when the local renewal authorities decide that the area in which *he* is located is blighted! The irony of Washington's urban renewal program is that without the enthusiastic collaboration of many businessmen it would come to a grinding halt.

In my judgment, the program should be repealed now. This could be accomplished simply by not authorizing any new projects. All projects currently under contract could be carried through to completion if the individual cities desired to do so.

As the Greek philosopher Aristotle stated more than 2,200 years ago: "Even when laws have been written down, they ought not always to remain unaltered."

What would be the results of such clear-cut, positive action? Would slums proliferate? Would housing get worse? Would cities die? Clearly, *no*. The record of what has been achieved outside of the federal urban renewal program by private forces is concrete evidence of what can be done by an essentially free-enterprise economic system. If this is what can be accomplished by free enterprise, the rational course of action is to encourage it to function, not to attack it or to sabotage it. ♦

Mercantilism Invites Corruption

WE LIVE in a mercantilist age. Great industries, depending on government for sales and contracts, feel compelled to think twice before taking a case to the public. As in the days of King George III, there is the "court" to consider. There is a "partnership" between industry and government, but since one "partner" has the power to inspect the tax reports of the other, or to deny him a contract, it is not precisely a partnership among equals. The "court" comes first.

There is not much point in complaining about this state of affairs. The defense necessities of the nuclear age make the United States government a huge buyer of hardware. The aircraft manufacturers, the missile makers, the providers of steel, aluminum, and copper, would be not only remiss to their stockholders but tremendously unpatriotic men if they were to refuse their services to Sec-

retary McNamara. When the military budget is upwards of fifty billion dollars a year, the free enterprise system will find itself implicated with mercantilist doctrine whether it wishes it or not. Somebody is going to get those contracts, and the business concern that doesn't have its courtiers on hand to present a case to the sovereign may find itself in hot water in trying to explain a sagging sales chart to the board of directors.

Under the circumstances, it is probably miraculous that we don't have a lot more corruption than we already have of the type which Clark R. Mollenhoff describes in his *Despoilers of Democracy* (Doubleday, \$5.95). With businessmen going to work for government, there are always psychological ties to the old company, or the old bank, or the old home town. Even though all physical symbols betokening a "conflict of interest"

may be stored away for the moment in trust, or even disposed of for good, men cannot escape the pull of their pasts. "Integrity" must become a matter of degree because of subconscious factors. So, if Texas gets a contract and California does not, it may not mean very much provided most of the other — and more objective — factors are equal.

The soil, however, will always be ready for the growth of "raw" corruption. Mr. Mollenhoff's book is concerned with "raw" cases and not with the general development of the modern mercantilist system. A third of his book is devoted to the scandals developing from the Bobby Baker case. A fourth of the pages detail the quarrels that have beset the Department of Defense over such things as the TFX contract (it went to General Dynamics, a Texas company, instead of to Boeing, of the State of Washington). Then there are chapters on the Billie Sol Estes business, and the stockpile scandals, and the Otepkas case (which involved "security" inside the State Department), and some skulduggeries and injustices in the administration of foreign aid.

Mr. Mollenhoff is a first-rate reporter who belongs to the diminishing tribe of those who are capable of combining indignation with an ability to marshal facts in

a calm and orderly manner. Back in the nineteen twenties, when Paul Anderson was reporting for the *Nation*, we used to have a lot of Mollenhoffs around. But in our ideological age they are growing scarce. Today exposures usually follow party lines. So it is refreshing to get a book which doesn't pull its punches to let a Democrat or a Republican, a liberal or a conservative, get the better of a bargain.

Growth of Government Leads to Corruption

For my taste as a libertarian, however, *Despoilers of Democracy* would have been a better book if Mr. Mollenhoff had stopped to consider where the growth of mercantilist capitalism is bound to lead us. Won't it be to a sort of generalized state of diffused corruption that takes in just about everybody? The advance of government — i.e., the "court" — into the business domain must turn us all into courtiers of sorts. Where we used to live by competition, we will find ourselves cultivating the courtier's assets of flattery, subservience, and willingness to conform.

I wish Mr. Mollenhoff had schematized his book along lines that would have separated corruption in the defense sector of the economy, which must in the nature of

things deal with government, and corruption in things like agriculture, which don't have to be implicated with government at all. When Secretary McNamara insists there were compelling reasons for taking a General Dynamics plane instead of a Boeing plane, it is difficult for me, a civilian who is mystified by aerodynamics, to know whether he has a case or not. The only thing that is certain is that the United States, as one of the two superpowers in the world, is going to need a good military defense. But when a Billy Sol Estes manipulates cotton allotments and mortgages on non-existent liquid fertilizer storage tanks to pile up a few million dollars, I know that none of this could have happened if the government had not been implicated in the futile attempt to "control" agriculture in the first place.

Any government is bound to make some mistakes, and have some corruption, when it must go to private industry to get airplanes and rifles and army blankets and armor plate. But the attempt to control the price level or the distribution of incomes in agriculture is an unnecessary bit of corruption in itself. It makes the government a prime evader of the antitrust laws. I can forgive an Administration for letting politics seep into the award of defense

contracts. But when an Administration finds itself embarrassed by a Billy Sol Estes, I have no sympathy for it.

Stockpile Manipulation

When there is money being passed around, the ravens—or should one say the vultures?—will gather. It could be nobody's fault in the White House or in the office of the Majority Leader of the Senate when a Bobby Baker has an interest in a food-vending company that is trying to sell its services to defense plants. This sort of thing will happen under mercantilism anywhere, and when the mercantilism proceeds from defense necessities we have to count on Bobby Bakers turning up. But where is the justification for government to go into stockpiling of raw materials beyond a certain point?

We have just been witness to what can be done with stockpiles. But Mr. Mollenhoff's pages on the stockpile scandals make one feel a lot less sorry than we should be for certain big metals companies over their mistreatment in the recent government-manipulated price crackdowns. There is no moral or legal justification for Federal use of stockpiles to effect price control. But some of the metals companies helped dig their own graves here by encouraging

the government in mercantilist practices when it came to building up the stockpiles not only for defense but to support the market. At one point President Kennedy and Senator Stuart Symington were astonished to discover that "the value of the aluminum in the stockpile exceeds the amounts we would need for three years in the event of war by \$347 million." Kennedy also said the "excess supply of nickel is \$103 million." The implication is that some of the big metals companies were willing to connive at price control on the way down. Well, the whole business boomeranged on them when President Johnson decided to work the process in reverse. We've all heard about poetic justice, and we know that sauce for the goose is always sauce for the gander. If we had not permitted mercantilism to dominate the business of stockpiling in the first place, Lyndon Johnson wouldn't have had a handy boomerang to hurl at the businessmen. He would have had to go to Congress to get price control, which is the proper place to apply for it if we are to have a government of laws and not of men.

Mr. Mollenhoff's book is designed to improve our civic tone. But it could have a most important by-product in improving our economic thinking. ◆

► **LIFE WITHOUT PREJUDICE**
by Richard Weaver (Chicago: Henry Regnery Company, 1965), 167 pp., \$4.50.

Reviewed by Robert M. Thornton

I VENTURE to predict that Richard Weaver's influence over the years will be all out of proportion to the number of books he wrote. The one under review is only his fifth — the second to be published since his death in 1963 — and is made up of eight essays which appeared in various publications between 1956 and the year he died. While not a great stylist, Weaver was a careful writer who did a lot of hard thinking before he put his ideas down on paper; consequently, he is a great pleasure to read. Keen insights and provocative ideas abound, and there are no superfluous words in this intellectual feast — all good lean meat!

My favorite of the collection is the title essay, "Life Without Prejudice." Prejudice is, of course, a "bad" word today although life as we know it could not go on if many times each day all of us did *not* prejudge. Most persons, for instance, are prejudiced against murder; that is, if questioned on the subject, they would instantly declare themselves opposed to such an act without pausing to reason out a judgment. "A

prejudice may be an unreasoned judgment . . . but an unreasoned judgment is not necessarily an illogical judgment. . . . [There are] three types of belief for which we cannot furnish immediate logical proof, but which may nevertheless be quite in line with truth." There are "judgments whose verification has simply dropped out of memory . . . opinions we adopt from others—our betters in some field of learning or experience [and those] which have a subconscious origin"—the "intuitions, innuendoes, and shadowy suggestions which combine to form our opinion. . . ."

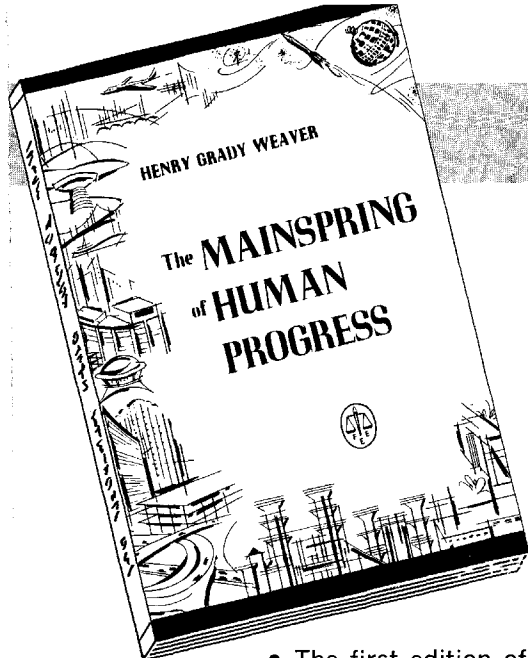
"A man who frankly confesses to his prejudices is usually more human and more humane. He adjusts amicably to the idea of his limitations. A limitation once admitted is a kind of monition not to try acting like something superhuman. The person who admits his prejudices, which is to say, his unreasoned judgments, has a perspective on himself."

Mark Twain, Weaver notes, gave "a therapeutic insight into the phenomenon of prejudice" when he wrote, "I know that I am prejudiced in this matter, but I would be ashamed of myself if I were not."

The theme running through all of these essays, indeed, through

all of Weaver's work, is that humanity is not a theoretical abstraction or "a number of atoms or monads knocking together," but a spiritual community. It is a function of education, he writes in the essay, "Education and the Individual," to nourish this community "in which to feel deeply is to feel widely, or to make oneself accessible to more of one's fellow members. In consequence, it cannot be too forcefully argued that the education which regards only development with reference to externals is not education for a higher plane of living, for the individual and for the society of which he is a part, but for a lower—for an artificially depressed level of living which, were it to be realized, would put an end to human development."

Ours is a cocky generation that denies its debt to the past and its obligations to the future. Weaver reminds us that human society is more than a conglomeration of bodies but is a mystical bond uniting the living, not only with one another, but with the dead and with the generations to come. He reminds us also of the mystery of creation and the expression of awe that should be ours before the individual as a "unique creation, something fearfully and wonderfully made." ♦



NOW AVAILABLE

in a new, attractive,
low-priced paperback:

Single copy	\$.95
3 copies	2.00
10 copies	6.00
100 copies	45.00

Also available in
standard clothbound volume, \$2.50

- The first edition of MAINSPRING (279 pp., indexed) was published in 1947. Since Mr. Weaver's passing, this great book has been the property of FEE. Previous to this new paperback edition, 350,000 copies have been printed.

One large company's circulating library for employees required 150 volumes to meet the demand.

Based on FEE's experience, MAINSPRING tops all books as a starter for any aspiring student of liberty. Easy reading — indeed, exciting — the beginner becomes so interested in freedom that he can hardly help pursuing the subject further.

FEE's recommendation: Keep a good supply of the paperbacks on hand to present to any individual who shows a spark of interest in freedom.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

THE Freeman



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

GAIN ALL YOU CAN

■ Gain all you can, by common sense, by using in your business all the understanding which God has given you. It is amazing to observe how few do this; how men run on in the same dull track with their forefathers. But whatever they do who know not God, this is no rule for you. It is a shame for a Christian not to improve upon **them**, in whatever he takes in hand. You should be continually learning from the experience of others, or from your own experience, reading, and reflection, to do everything you have to do better to-day than you did yesterday. And see that you practise whatever you learn; that you make the best of all that is in your hand.

JOHN WESLEY, from Sermon 50, "On the Use of Money"

To:

street

city

state

zip code

PLACE
5 CENT
POSTAGE
HERE

THE Freeman

IDEAS ON LIBERTY

APRIL 1966

The Flight from Reality		
19. The Flight from Economics	Clarence B. Carson	3
On the Redistribution of Incomes	Sudha R. Shenoy	18
The Armchair Skirmish Against Poverty . .	Timothy J. Wheeler	23
Progress or Regress?	Hans F. Sennholz	33
Pay Television: The Right to Compete and to Speak		
	Elizabeth Gillett	38
Market Price of Burros	Al Bellerue	44
Will the Real Price Administrator Please Stand Up!		
	Irving E. Howard	46
Of Birds and Men	Der Spiegel	51
 Books:		
King of the Road	John Chamberlain	54
Other Books		57



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533

FREE

Two Stimulating, Exciting New Brochures on

LAW AND ORDER

Throughout the land, the forces of law and order are being opposed by some individuals and groups. Our nation is strong but we are only as strong as our individual desires to maintain this strength. There are things we can do, so let's start doing them today. Ask for "LAW AND ORDER—As Seen By Two Authorities" and "Myth or Truth?—WITHOUT LAW AND ORDER, SOCIETY WILL DESTROY ITSELF." Coast Federal Savings will be happy to send you these two exciting, new brochures, absolutely free.



COMPOUNDED DAILY, your savings earn **4.97%** when held one year at current rate of **4.85%**, paid semi-annually.

6-129A

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

To: George Ross, Department FM, Coast Federal Savings and Loan Association
9th & Hill Streets, Los Angeles, California 90014

☐ Please send me the free brochures on "Law and Order."

Name(s) _____
(Please Print)

☐ Yes, I'd like to open a savings account. Enclosed is my check (or money order) for \$ _____

☐ Individual Account

Street _____

☐ Joint Account

☐ Please transfer my account.

City _____ State _____ Zip _____

IN THIS ISSUE

- ✓ There'll doubtless be protest among proponents of the "new economics" when a historian traces their flight from reality — so, On Guard! p. 3
- ✓ Miss Shenoy, of India, offers some provocative views of the harmful consequences of the compulsory redistribution of incomes. p. 18
- ✓ The co-editor and publisher of a new journal for young conservatives carefully examines the war on poverty, and finds it wanting. p. 23
- ✓ In ancient history, Professor Sennholz finds the familiar pattern of most of the interventions proclaimed as today's new keys to progress. p. 33
- ✓ Some vital aspects of the problem of freedom in general are involved in the verbal, economic, and political developments surrounding pay-television. p. 38
- ✓ The purchase and subsequent sale of a pair of "ornery critters" illustrate how everyone gains from any voluntary exchange. p. 44
- ✓ Those who fear the consequences of "administered pricing" should know that the only force powerful enough to enforce its monopoly is the government. p. 46
- ✓ Our feathered friends should take exception to the notion that the welfare state is "for the birds." p. 51
- ✓ John Chamberlain congratulates Ralph and Estelle James for their **Hoffa and the Teamsters: A Study of Union Power.** p. 54
- ✓ Reviewer Opitz finds cause for concern in a pair of volumes dealing with the uses of Church land and Church wealth. p. 57
- ✓ And Robert Thornton draws some lessons on liberty from Hans Morgenthau's **Scientific Man versus Power Politics.** p. 61
- ✓ Finally, there's a wealth of political wisdom in Carl B. Cone's analysis of **Burke and the Nature of Politics.** p. 62

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

THE *Freeman*

A MONTHLY JOURNAL OF IDEAS ON FREEDOM

APRIL 1966

Vol. 16, No. 4

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

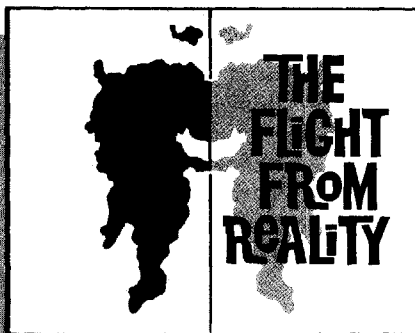
Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Flight from Reality," "The Armchair Skirmish Against Poverty," "Pay Television: The Right to Compete and to Speak," and "Of Birds and Men."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.



19.

The Flight from Economics

CLARENCE B. CARSON

... In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity — the epidemic of over-production. ... Because there is too much civilization, too much means of subsistence, too much industry, too much commerce.

KARL MARX and FREDERICK ENGELS, 1848

... *The essence of social progress lies not in the increase of material wealth but in a rise of the margin of consumption.*

SIMON N. PATTEN, 1893

... In industry after industry potential output is vastly greater than demand — a condition which grows steadily worse.

STUART CHASE, 1931

... Shall we continue to believe that panics, deflation, and bankruptcy are our only remedy for overproductivity in industry? Or shall we . . . control overcapacity and reconstruct the purchasing power of our people?

REXFORD G. TUGWELL, 1935

Given a sufficiency of demand, the responding production of goods in the modern economy is almost completely reliable. We have seen . . . why men once had reason to regard the economic system as a meager and perilous thing. And we have seen how these ideas have persisted after the problem of production was conquered.

JOHN K. GALBRAITH, 1958

THE METHODS of reform have been drawn from a variety of in-

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in THE FREEMAN were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

congruous sources — from war, from business, from charitable organizations, from voluntary societies, from feudal practices, from mercantile policies, among others. The consequences that

have followed attempts to use these methods have been determined by the methods. But there is more to the matter of the methods of the reformers than their origin. There have been strange justifications for the use of the methods and peculiar, as well as particular, applications of them.

The particular orientation of most reformers has been materialistic. They have professed concern with the material well-being of people. Their interest and concern has had to do with hunger, deprivation, disease, malnutrition, poverty, poor housing, infestations, and exposure. Such matters fall in the realm of economy. Many of the programs and policies of reformers are aimed at or have to do with things economic. These emphases make economics the central discipline for reformist attention; their programs succeed or fail to the extent that they are more or less economically sound. It would not be too much to say that the vast meliorist reform effort would only be morally, socially, and rationally justified if it were in accord with sound economics.

Uneconomical Programs

On the face of it, many reform programs appear to be uneconomical. Reformers have, at various times, advocated crop restrictions

and control upon industrial production, subsidies for products already in "surplus," loans to foreign governments to enable them to buy American goods, give-away programs both domestic and foreign, deficit spending by government in order to produce prosperity, inflation in order to increase "purchasing power," easy money policies to promote spending, the raising of wages by promoting unionization and establishing minimum wages, the establishing of prices above or below market prices, special taxes upon corporations which had become major instruments of production, graduated income taxes which would fall proportionately heaviest upon those with the highest incomes, the governmental provision of income to those who do not produce, and so on. These are not measures of a character that would usually be called economical. Men have not customarily thought it economically sound to spend more than they make, to take from those who produce and give to those who do not, to pay more than the market price for goods and services, to give away their substance.

A deeper look at economics reveals that such actions are, indeed, uneconomical. Economics has to do with scarcity. This character of economics is indicated by the conventional uses of words related

to it. For example, one dictionary defines "economical" as "avoiding waste or extravagance; thrifty." It "implies prudent planning in the disposition of resources so as to avoid unnecessary waste. . . ." To "economize" is to "use sparingly or frugally." "Economy" refers to "thrifty management; frugality in the expenditure or consumption of money, materials, etc." Economics can be defined as the study and exposition of the most effective means for men to maintain and increase the supply of goods and services at their disposal. These goods and services are understood to be scarce; and economics has to do with the frugal management of time, energy, resources, and materials so as to bring about the greatest increase in the supply of the goods and services most desired. An aspect of economics, one with which much of academic and theoretical economics has dealt, is the study and setting forth of answers to the question of what are the best social conditions within which economic behavior may take place. Such a study is known as political economy, but it, too, has been premised upon the existence of scarcity.

Aggravated Scarcity

With these definitions in mind, it should be clear that the methods

of reformers have not been economical. Crop restrictions are means of increasing scarcity rather than diminishing it. Minimum wages, above the market rate, increase the shortage of labor by pricing it out of use (cause unemployment). Price supports for goods make them unavailable to those who cannot afford them at that price, thus increasing *their* scarcity. Inflation increases the supply of money, not the supply of goods. The giving away of goods decreases their supply; and if these are *taken* from someone by government, this action decreases the incentive for the production of goods. Loans to enable the buying of goods are not economic, though if the loans be repaid with interest, at or above the market rate, it would be economical for the lender. None of these devices involves frugal management of limited means to deal with the problem of scarcity.

Mercantilism Perpetuated

Modern (i.e., post-Medieval) economics took shape from proposals dealing with scarcity. Some of these developments in the sixteenth, seventeenth, and into the eighteenth centuries are known now as mercantilism. Mercantilism was, and is, nationalistic, that is, a proposed economy for dealing with the scarcity which confronts

a particular nation. The particular scarcity which mercantilists emphasized was the scarcity of gold, but the value of gold was generally understood to be its virtually universal acceptability as a medium of exchange. At any rate, mercantilists focused attention upon means for increasing the supply of gold within a nation. They thought of one nation's wealth as being got at the expense of other nations and conceived of a variety of devices for getting gold from other nations. Their main invention was the favorable-balance-of-trade idea, by which a nation would sell more goods to a nation than it bought from that nation, the difference being made up by gold. Mercantilists favored manufacturing, for thereby the value of a product would be enhanced before it was sold, and they promoted colonization for the securing of raw materials and markets. Regulatory measures were endorsed as means for enhancing the trade and gold supply of a nation.

Economically Sound Behavior Advantageous to Everyone

Dealing with scarcity was the object of mercantilism, but were such practices economical? It was the great work of the physiocrats and Adam Smith in the latter part of the eighteenth century to show

that they were not. These writers took a cosmopolitan or universal view of economics. They were concerned to discover and set forth the natural order for economic behavior. From this broad view, Smith, particularly, demonstrated that true economic behavior is *social*, that when everyone behaves economically, everyone benefits.

In a century beset by world wars—wars rooted mainly in trade conflicts spawned by mercantilism—Smith held that trade is by nature peaceful, that the wealth of a people is not obtained at the expense of other peoples, that when peoples of one country trade with those of another, both benefit. He maintained that when each man pursues his own interest, when exchange is free from arbitrarily imposed obstacles, when each man may buy at the lowest price anywhere in the world and sell to the highest bidder on the world market, when competition is allowed free play, all will benefit. Each man will be able to get the highest price possible for his goods and services and be able to obtain those he wants at the lowest possible price, that is, roughly, at the cost of providing them. There is an invisible hand—an order in the universe—that brings harmony out of the diverse actions of men, if they may act as they choose and are prohibited to use force, fraud,

or deception in their dealings with others.

Smith held that government intervention was not necessary to bring about these beneficent results. On the contrary, government intervention is a positive deterrent to economic behavior; it places obstacles in the way of free exchange, promotes uneconomic (viewed socially) behavior, and distorts the market. In short, mercantilist practices are not economic.

Adam Smith Displaced

Economic thought, after Smith, consisted largely of refinements, extensions, and modifications of positions which he and the physiocrats had set forth. But the philosophical framework within which Smith worked hardly survived the eighteenth century for most thinkers, as we have seen in earlier chapters. The breadth of vision made possible by the cosmopolitanism, universalism, and belief in a natural order within a rational universe gave way to the particularism of romanticism and the numerous abstractions which served as a base for the proliferating ideologies of the nineteenth century. Economics became the "dismal science," the discipline which justified the ways of scarcity and privation to men.

Economists were soon, once

again, wrestling with the conundrum which ever and again besets them. The conundrum has had many formulations, but the one which follows may, perhaps, state the essence of them all. If man is confronted with scarcity, if the supply of goods and services is less than the desire for them, it looks as if one man's gain is another man's loss. That is, when one man takes from the limited supply of goods, he has them at the expense of others who might have used them. If this were the case, the quest for goods and services would be a clash or contest between those who had them and those who wanted them for possession, with one side the winner and one the loser. Mercantilists had conceived of such a struggle among nations. Ricardo and Malthus conceived of the matter as a contest between increasing population and the limited means for subsistence. Marx rendered it into a class struggle. The social Darwinists, Spencer and Sumner, saw it as a struggle in which the fit survived.

Developing Economic Theory

Economists adopted a variety of postures about the struggle and the scarcity. Ricardo held that that was the way things were and there was nothing much to be done about it (though technological innovations might temporarily ame-

liorate conditions for workers). Utilitarians held that free exchange and competition were all to the good; though some might get hurt, the greatest good for the greatest number would be achieved. Marx opted for revolution. The Austrians — Menger and Böhm-Bawerk — concluded that everyone benefited from free exchange because wants and values are subjective. The social Darwinists held that it all added up to progress. Utopians, who did not accept scarcity, were searching out the sources of privation in supposed exploitation and envisioning their perfect societies.

The main lines of economic thought in the nineteenth century run from the classicists — Smith and Ricardo — to the utilitarians — Bentham and Mill — to the Austrians. These schools shared the view, more or less, that true economic behavior is that of free men, willingly exchanging goods, making their own calculations, and seeking their own ends. Government intervention was not economic to them; it produced distortions which were antithetical to economic action. Even Karl Marx did not hold much brief for palliative action by governments.

Concerned with Scarcity

Two points need particular emphasis. Historically, economic

thought has been concerned with scarcity, however much the import of this may have been distorted by some thinkers. Nor was this simply an historical accident. The reason for being of economy is scarcity. If there were no scarcity, there would be no justification for economics. There would be no occasion for saving, for careful management, for priorities as to the order of satisfying desires, for choices among goods, or for efficiency. Second, economic thought has been, in the main, noninterventionist. Individual economists have favored this or that interventionist measure—the protective tariff, compulsory workmen's compensation insurance, government inspections — but not on economic grounds (the tariff being a possible exception). If it were economical, for instance, for an employer to take out insurance on his employees, he could be persuaded of this, and compulsion would be irrelevant.

There is no body of thought which demonstrates that it is economical for governments to intervene in the lives of people. There have been numerous claims, of course, that governments could manage businesses more effectively than would private interests, that governments will conserve scarce resources, that government action will render this or

that economic benefit. A careful examination will show, I believe, that these are not economic arguments, that they are based not upon the premise of a scarcity of goods and services but an abundance. They are based, in short, upon the premise that economic behavior is unnecessary.

The "Plague of Abundance"

At any rate, interventionist thought has been based upon the view that there exists an abundance of goods and services. The idea that mankind is confronted with a glut of goods and services is not particularly recent. It goes back at least to *The Communist Manifesto* (1848), and possibly before that time. But it has had its particular American articulation. This was provided mainly by that school of "economics" known as the institutionalists. Prominent leaders of this school have been Thorstein Veblen, John R. Commons, Stuart Chase, and, lately, John K. Galbraith.

Their basic position is that conditions have changed, that it was once true, indeed had been from time immemorial, that societies were confronted with scarcity, but that this condition is no longer the case for some societies, notably the United States. Stuart Chase held that the United States reached a condition of abundance

in 1902. "Abundance," he said, "is self-defined, and means an economic condition where an abundance of material goods can be produced for the entire population of a given community."¹ Rexford G. Tugwell, the irrepressible New Dealer, described the change to plenty in this way: "Our economic course has carried us from the era of economic *development* to an era which confronts us with the necessity for economic *maintenance*. In this period of maintenance, there is no scarcity of production. There is, in fact, a present capacity for more production than is consumable, at least under a system which shortens purchasing power while it is lengthening capacity to produce."²

John K. Galbraith, who plays Stuart Chase to post World War II America, describes the development as historical in the following: "Nearly all [people] throughout all history have been very poor. The exception, almost insignificant in the whole span of human existence, has been the last few generations in the small corner of the world populated by Europeans. Here, and especially in the United States, there has been

¹ Quoted in Charles S. Wyand, *The Economics of Consumption* (New York: Macmillan, 1937), p. 54.

² Rexford G. Tugwell, *The Battle for Democracy* (New York: Columbia University Press, 1935), p. 7.

great and quite unprecedented affluence."³ Vance Packard, who is to Galbraith as Galbraith is to Veblen and Keynes—that is, derivative—states the development with his usual dramatic flair:

Man throughout recorded history has struggled—often against appalling odds—to cope with material scarcity. Today, there has been a massive breakthrough. The great challenge in the United States—and soon in Western Europe—is to cope with a threatened overabundance of the staples and amenities and frills of life.⁴

The Overproduction Theory

The evidence which purports to support these claims of abundance has run the gamut from Veblen's conspicuous consumption of the leisure class to Packard's charges that industrial waste makers prey upon the gullible public with their shoddy merchandise with its built-in planned obsolescence. The terms which have received the widest acceptance for describing abundance are overproduction, unemployment, surpluses, unused industrial capacity, and underconsumption.

The following is some of the evidence Stuart Chase submitted in 1931:

³ John K. Galbraith, *The Affluent Society* (Boston: Houghton Mifflin, 1958), p. 1.

⁴ Vance Packard, *The Waste Makers* (New York: David McKay, 1960), p. 7.

American oil wells are capable of producing 5,950,000 barrels a day, against a market demand of 4,000,000 barrels, according to the figures of the Standard Oil Company of New Jersey.⁵

The real problem [in coal] is excess capacity. The mines of the country can produce at least 750,000,000 tons a year, while the market can absorb but 500,000,000 tons.⁶

American shoe factories are equipped to turn out almost 900,000,000 pairs of shoes a year. At present we buy about 300,000,000 pairs—two and one-half pairs per capita. There is admittedly a considerable shortage of shoes [?], but could we wear out, or even amuse ourselves with, five pairs per capita? I doubt it. For myself two pairs a year satisfy both utility and style. Yet if we doubled shoe consumption—gorging the great American foot, as it were—one-third of the present shoe factory equipment would still lie idle.⁷

Jumping now across the economic front to agriculture, we find that the basic problem of the American farmer lies in his "surplus." The government at the present writing has bought and holds in storage millions of bushels of wheat in a heroic and possibly calamitous attempt to keep the surplus from crushing wheat farmers altogether.⁸

⁵ Stuart Chase, *The Nemesis of American Business* (New York: Macmillan, 1931), p. 88.

⁶ *Ibid.*, p. 89.

⁷ *Ibid.*, p. 79.

⁸ *Ibid.*, p. 76.

One might suppose that these writers would rejoice at the abundance of goods, be glad that an age-old problem has been solved, be jubilant at the prospects of plenty. They might even have been grateful for an economic system that provided them with such an abundance. How good it is, they might have said, to live in America where this has taken place. Of course, they were in the mood to say no such things. Instead, they held that abundance had produced great and difficult problems, problems of a monumental scale that threatened to grow. Poverty has continued to exist alongside abundance, overproduction resulted in waste and profligacy, mechanical production eventuated in technological unemployment, and producers reduced to all sorts of stratagems to dispose of their mounting goods and services.

Intervention Rationalized

One writer attempted to account for many of the untoward developments of this century as a consequence of the efforts of producers to maintain artificial scarcity. The following are methods that he claims have been used to maintain scarcity:

1. *The Destruction of Surpluses by Warfare.* For the temporary creation of scarcity, no more effective means has yet been devised than modern

warfare. Within a relatively short time it can dissipate industrial surpluses and create an additional demand for goods that taxes productive equipment to capacity....

2. *The Extension of Loans.* With the disappearance of wartime demands, other markets are sought in an effort to avoid an immediate and complete collapse of the industrial structure.... The result [after World War I] was a series of ... loans that by 1929 totaled about \$11,023,000,000....

3. *Public Subsidy of the Consumer.* When the process of lending purchasing power to the consumer failed, the Federal government commenced what is now an established practice of *giving* to the indigent funds with which to buy....

4. *The Destruction of Goods and the Curtailment of Output.* Having failed through wars, loans, "gifts," and a variety of other means to make purchasing power keep pace with large-scale production, attempts are now being made to preserve conditions of scarcity by deliberately controlling output so that it does not exceed profitable demand.⁹

Many different specters have been raised over the years which have been supposed to have arisen from this overproduction, but none has been more persistent than that of rising unemployment. Stuart Chase declared, in the early 1930's,

⁹ Wyand, *op. cit.*, pp. 44-48.

that the "current depression will pass." However,

What threatens to continue unabated, in good times and bad, is technological unemployment with its three faces — the machine, the merger, the stop watch. In four years oil refineries increased output 84 per cent, and laid off 5 per cent of their men while doing it. Tobacco manufacturing output climbed 53 per cent in the same period, with 13 per cent fewer men at the end. This is the trend throughout industry.

It can mean only one thing. An equivalent tonnage of goods can be produced by a declining number of workers, and men must lose their jobs by the thousands — presently by the millions.¹⁰

This would, according to his analysis, lead to a further increase of surpluses, for there would be less and less income to buy the goods produced.

The System Accused

All those who have written in this vein about abundance have pointed finally to one thing: something wrong in the system itself. Their reasoning is not difficult to follow. Productive power has been developed which can and does produce a glut of goods. All sorts of devices have been got up to dispose of these surpluses. On the other hand, many are in need be-

cause it does not require many workers to produce this great bounty. One recent writer has proclaimed that we have been worshipping a false god. He said,

Some people even seem to think that mass production can cure all the world's economic and social ills. You might almost say that it has become a world mania. Mass production has become our god, our cure-all, our economic savior.¹¹

Writer after writer has proclaimed that the flaw lies in distribution. Stuart Chase put it this way:

In respect to the whole body of finished goods, it is not so much *overproduction as underconsumption* which is the appalling fact. As a nation we can make more than we can buy back. Save in certain categories, there is a vast and tragic shortage of the goods necessary to maintain a comfortable standard of living. Millions of tons of additional material could be marketed if purchasing power were available. Alas, purchasing power is not available.¹²

Charles Wyand declared,

More goods are being produced than can be profitably sold. On the other hand, it can be clearly shown that most people are consuming at but a fraction of their potential capacity. ... As will be shown later, the con-

¹¹ Walter Hoving, *The Distribution Revolution* (New York: Ives Washburn, 1960), p. 4.

¹² Chase, *op. cit.*, p. 78.

¹⁰ Chase, *op. cit.*, pp. 15-16.

sumer's buying power cannot absorb all that the nation can produce because (1) incomes are insufficient, (2) too much of the nation's income is saved, and (3) prices are too high.¹³

Horace Kallen said,

Indeed, at no time in the history of industrial society has the production of the necessities of life been sufficient to meet all needs. It was not need which limited demand. It was price. Prices had so outdistanced wages that wages could not catch up with them.¹⁴

Palliatives Proposed

Those who have written in this vein have not always been quite consistent. On the one hand, they have often indicated that there is an absolute surplus—actually more goods produced than can or will be consumed. On the other hand, and in certain moods, they hold that the problem is only one of maldistribution. Then, too, some writers have focused upon the wastefulness of private enterprise and have advocated the conservation of scarce resources. In recent years, many of those who have dealt with such matters have professed great concern for “economic growth.” It would, therefore, be a misconstruction of what has been going on to deal with all

of it in connection with scarcity.

What all these positions share—whether it be a concern with overproduction, underconsumption, maldistribution, wastefulness, or economic growth—is the view that government must intervene in one way or another to correct the situation. They hold that the “system” produces these unwanted consequences and that collective action must be taken to set it straight.

Simon Patten, an early advocate of the notion that a surplus exists and a teacher of Rexford G. Tugwell, advocated the absorption of the surplus by taxation. He declared that taxation should “be placed not on particular forms of prosperity, but on general prosperity. The State should not try to hunt up the individual who profits by each of the improvements it makes, but should make taxation a reduction of the general surplus of society.” His justification of this was that “we can conceive of the State as a factor in production, and hence entitled to a share of the undistributed produce of industry. It has helped to promote general prosperity, and can demand a part of the surplus of society along with landlords, employers, capitalists and laborers.”¹⁵

¹³ Wyand, *op. cit.*, p. 40.

¹⁴ Horace M. Kallen, *The Decline and Rise of the Consumer* (New York: D. Appleton-Century, 1936), p. 404.

¹⁵ Simon N. Patten, *Essays in Economic Theory*, Rexford G. Tugwell, ed. (New York: Alfred A. Knopf, 1924), p. 98.

John R. Commons, an early and late reformer, called in 1893 for a guaranteed right to employment in order to take care of the "surplus" of laborers:

The right to employment when enforced would have the effect of guaranteeing to every worker, even the lowest, a share of the total income in excess of his minimum of subsistence. It would give steady work through the year, which would increase the wages of the lowest labourers by 30% to 50%. And by overcoming the chronic excess of labourers beyond the opportunities for employment, it would raise the marginal utility of the marginal labourers, thus raising the wages of all.¹⁶

So it has gone through the years: the apostles of surplus, overproduction, technological unemployment (surplus workers), underconsumption, and maldistribution have been proposing some variety of reform or intervention. Stuart Chase proclaimed that the situation called for detailed planning:

In my judgment the only final way out lies through planned production. We have to scrap a large fraction of *laissez-faire*, and deliberately orient productive capacity to consumption goods....

For America, industrial co-ordination must probably take the form of a

drastic revision of the anti-trust laws; an alliance between industry, trade association, and government to control investment (i. e., plant capacity) on the one hand, and to guard against unwarranted monopoly prices on the other; a universal system of minimum wages and guaranteed hours of labor to frighten off fly-by-night entrepreneurs and to stimulate purchasing power; and finally . . . , the setting up of a National Planning Board as a fact gatherer and in turn an advisor . . . on every major economic undertaking in accordance with a master blueprint.¹⁷

Rexford G. Tugwell said,

Let me summarize: In this era of our economic existence, I believe it is manifest that a public interest . . . commands the protection, the maintenance, the conservation, of our industrial faculties against the destructive forces of the unrestrained competition. . . . For today and for tomorrow our problem is that of our national economic maintenance for the public welfare by governmental intervention. . . .¹⁸

Charles Wyand held that —

The gross effect of these trends is to offer American business the choice of some sort of private control of business practice or of growing governmental interference to prevent the complete collapse of the capitalistic economy.¹⁹

¹⁶ John R. Commons, *The Distribution of Wealth* (New York: Reprints of Economic Classics, 1963), pp. 84-85.

¹⁷ Chase, *op. cit.*, pp. 95-97.

¹⁸ Tugwell, *op. cit.*, p. 9.

¹⁹ Wyand, *op. cit.*, p. 73.

New Means to Old Ends

The emphasis has shifted somewhat over the years but not the goal of government control and direction. The problem, according to John K. Galbraith, is one of private affluence and public penury. There needs to be a great deal more spending in the governmental realm. Following his lead, Vance Packard emphasized the desirability of spending for education, government provided recreation facilities, support of research for the desalinization of water, and so forth.

The claims of abundance, surplus, and underconsumption are but a prelude, then, to the calls for positive government action. The arguments move, gradually and subtly or swiftly, from economics to the political arena. Their import can now be spelled out. If the problem were one of production, which it would be if there remained the fundamental difficulty posed by scarcity, it would be a matter for economics. To deal with scarcity, there needs to be frugal management, saving, investment, balanced budgets, calculations as to the best means to use to get the greatest return from materials, and determinations as to how to produce the most goods with the least expenditure of energy. But if the situation were reversed, if abundance

had replaced scarcity, economic behavior would no longer be in order. It might be helpful to spend more than was taken in, to employ more workers than the task at hand required, to use more materials than would be called for by the undertaking. To be economical, at any rate, would be anachronistic.

Most important, economic analysis has long shown conclusively that individuals and private companies have the incentives when they may exchange freely to deal as effectively as can be done with general scarcity. But the case might be quite different if abundance were the problem. This is the character of the arguments which have been recapitulated above. When the problem becomes one of distribution, it then becomes feasible to argue that governments can intervene for ameliorative purposes. In short, it might be admitted that force would be a poor way to achieve production, but the same would not necessarily go for distribution. Governments can redistribute; they can take goods from some and give them to others; they can spend, expropriate, set aside lands and resources, confiscate, and even waste rather effectively. These are tasks which governments alone, because of their monopoly of the use of force, would be suited to

perform, if anybody had to perform such tasks.

The United States government has indeed been engaging in such practices for a good many years, assisted on occasion by local and state governments. The methods for doing these things are many and varied. They run the gamut from low interest rates for those in favored categories to the confiscatory taxation of the wealthy, from the subsidizing of some kinds of production to the limitation of other kinds, from minimum wages to maximum prices, from public welfare to social security, from financing low-rent housing to taxing high-rise apartments, and from the extension of power to organized labor to the intimate regulation of business activity. These are not economic actions; they are, instead, political. They have to do with power and its use. They have to do with artificially creating shortages, with driving prices above or below the market price, with the allocation of manpower according to political considerations, with arbitrary conservation and profligate spending. Even "surpluses" can be created — that is, goods priced higher than anyone can or will pay for them — by the use of force.

This shift from economics to politics is mirrored in the activities of many of those who now

bear the name of economist. A popular news magazine noted this change recently. It said, "In the palaces and Parliaments of a hundred countries, economists are increasingly called upon to build, revive, or draw together national economies. Their home is no longer the ivory tower, and their profession is no longer the 'gloomy science' but a romantic and rewarding wielding of power." Moreover, "the Presidents and Ministers are receptive to the advice. . . . Several economists have risen to head governments, including West Germany's Ludwig Erhard, Portugal's Antonio Salazar, and Bolivia's Victor Paz Estenssoro. Others, such as Britain's Harold Wilson, are hopefully planning their own takeover [since achieved in his case]." ²⁰ In America, many economists have become well-known names in government circles over the years: Rexford G. Tugwell, Walter Heller, John K. Galbraith, among others. Below this exalted rank, hundreds more toil away in the numerous government departments which lay seige to economy in the land.

Economics as a Tool for Reform

There has, then, been a flight from economics, a flight from economics as a discipline for study and exposition to "economics" as

²⁰ *Time* (June 26, 1964), p. 86.

a tool for social reform, a flight from economics to politics. This has been, also, a flight from reality, though the full demonstration of this will follow later on in this work. It may be of some use, however, to observe here that scarcity is still with us, and may be expected to remain. Scarcity arises from the nature of the universe and the nature of man. Man wants a great variety of commodities and attentions. The want of them makes them economic goods and services. In order for these goods and services to be provided, someone has to labor, to use resources, to defer the gratification of wants. Labor and materials are in limited supply (always); deferment requires discipline; wants are unlimited by these or any other physical considerations. Hence, scarcity is an enduring fact of life.

Production is not something that is solved, once and for all. Goods must continue to be produced, else the supply that exists will be exhausted. Continued production requires the making of economic decisions—of decisions as to which materials in short supply and how many men in the limited labor pool and how much capital from the small store of it to employ to make what goods that will be in greatest demand.

Distribution is not something

separable from production, not, that is, if production is to be maintained. Distribution—that is, exchange—is the great spur to production; it is the close relation between efforts and rewards that induces individuals to apply their energies economically to production. Surpluses do not indicate abundance; they rather indicate misallocation of materials, poor judgment, false signals in the economy, price rigidities, and/or the use of force to bring these about.

Scarcity remains. There is no better testimony to this fact than the desperate efforts of socialists to increase productivity, to achieve, as they say, “economic growth.” But even these efforts are misunderstood by contemporary “distributionist economists.” One writer notes that the Soviet Union has been using all sorts of devices to spur production. “But, nowhere in his talks did Khrushchev say anything about distribution. As a matter of fact he didn’t seem to be aware of this side of the economic picture at all. He seemed to think production is the alpha and omega of the economic system.”²¹

The view that America is now saddled with problems of abundance has been used to justify in-

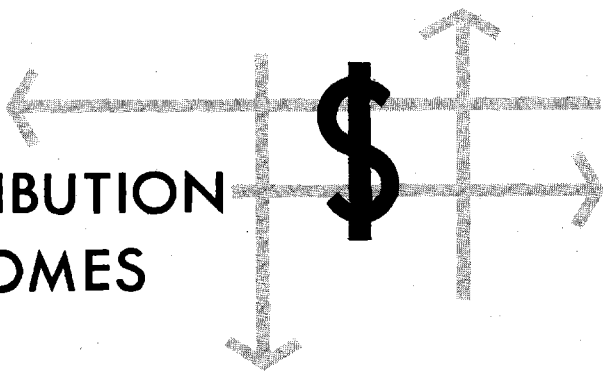
²¹ Hoving, *op. cit.*, p. 4.

tervention, but the roots of economic misunderstanding are even deeper than this. There is a whole body of pseudo-economic literature devoted to attempts to demonstrate

that economic behavior results in contradictions that can only be resolved by government intervention. These arguments deserve some examination. ♦

The next article in this series will concern "Meliorist Economics."

ON THE REDISTRIBUTION OF INCOMES



SUDHA R. SHENOY

THE IDEA of redistributing incomes and wealth has become a virtual dogma which few dare to question. It is one of the oldest parts of the socialist ideology; even those social democrats who oppose communism because it stands for "violent revolution," nevertheless argue that a "fairer"

distribution of income is one of the best safeguards against such revolution. And many who otherwise oppose interventionism argue that redistribution is necessary to "correct" or "ameliorate" the "unfair" distribution of wealth and income, which they believe is one of the major flaws in the working of the free market. Thus, we hear protests that: "A mere 6 per cent of the people own 42 per cent

Miss Shenoy, from Ahmedabad, India, is a B.Sc. (Econ.) student at the London School of Economics.

of the nation's wealth"; or, "The distribution of income in our society should not be allowed to become so unequal that the great wealth at one end of the scale endangers the low incomes at the other."

What is most remarkable, however, is that this idea of redistribution should have "caught on" in just those areas—Western Europe, North America, and Australasia—that are distinguished from the rest of the world precisely by their astonishing *mass* prosperity. What especially strikes the visitor from the underdeveloped world (and I would include here the areas behind the Iron and Bamboo Curtains) is that the wide range of products and services, which at home are enjoyed only by the microscopic minority, are here bought by the masses. The difference between the developed and the underdeveloped parts of the world lies not in the amenities enjoyed by the wealthy—who in certain respects, such as personal services, are better off in the underdeveloped areas—but in the condition of the mass of the people in the respective areas. In the one, a wealth of goods and services (with a corresponding variety of jobs) is available to virtually everyone; in the other, the lives of the masses are marked by a poverty, the very memory of

which has vanished in the West if we may judge from the comments in economic history textbooks.

The Process Misunderstood

Perhaps the basic reason for the plausibility of redistributionist ideas is a misapprehension of the nature of ownership and production and what earning an income means in the context of a free market. The redistributionist seems to think that goods are "socially produced" and then thrown onto a common heap, from which incomes are "individually appropriated"—quite arbitrarily. But there is a *pattern* to the earning of incomes in a free market: the size of the income earned depends on the extent to which the individual—in cooperation with other individuals—succeeds in satisfying the wants of his fellow men. Even capitalists must use "their" capital to produce for their fellow men. Legal title to any collection of capital goods does not guarantee that income will flow in automatically.¹ For example, legal title to a hula-hoop factory in the United States today does not mean automatic profits to the owners—more likely, it means heavy losses

¹ One of the basic fallacies of Marx was the notion that capital would "automatically beget profits." But the theory of a capitalist conspiracy to keep wages low and prices high does not explain why capitalists sometimes have losses.

and strenuous efforts to salvage something from the wreckage. In other words, in a free market, even capitalists' incomes are "earned": by producing what their fellow men wish to buy.² Since, in this context, the fulfillment of consumer needs is the rationale of the production of capital goods, it is the mass of consumers who, in a free market, must be regarded as the real *economic* directors, if not the legal owners, of capital.³

In short, though *legal* title to all the thousands of factories and millions of machines may lie with a numerical minority, this vast accumulation of capital is not used to produce exclusively those items consumed by the few. The supermarkets are not stocked with caviar and champagne for "the 6 per cent who own 42 per cent of the nation's wealth": the supermarkets bulge with items for *mass* consumption. The vast amounts of capital equipment in the developed nations are used principally to produce an enormous variety of goods and services—including leisure—for the vast majority of the people. The production of luxury

goods is a mere trickle compared with this outpouring of goods for mass consumption.

Contrast this with conditions in such countries as China or Soviet Russia—where vast amounts of resources are drawn into the construction of industrial or hydroelectric complexes that are useful only in the light of their rulers' military ambitions or for such technologically spectacular but otherwise useless feats performed by Sputniks and Cosmonauts. How much easier life could have been for Ivan Ivanovitch and his wife and family if these resources had been allocated according to the principle of consumer sovereignty!

Production and Trade

What does redistribution mean in practice? The goods and services we consume—and which constitute our real income—have all been produced for us by our fellow men, in exchange for what we have produced for them. If any of us wishes to consume more—i.e., have a higher income—he must either produce more of the things his fellow men want—or some of his fellow men must voluntarily turn over to him what they have produced, without asking anything in return. In other words, if we wish to consume more without producing more, someone else must produce for us without him-

² Aristocrats and manufacturers, for instance, certainly were not the chief buyers of the coarse—and cheap—cottons produced by the first factories at the beginning of the Industrial Revolution.

³ Ludwig von Mises, *Socialism* (London: Cape; and New Haven: Yale University Press, 1951) pp. 37-42.

self consuming. The principle is not changed if some third person, on our behalf, pays those who produce for us.

There is, of course, a third method of having more; and that is by seizing what others have produced, and thus forcing them to do without. And this is what is really involved in the redistribution of incomes via the state apparatus—progressive taxation to “soak the rich,” and various “welfare” measures ostensibly aimed at raising the real income of the very poorest. Aside from the question of whether these aims are in fact achieved (which they are not⁴) it must be seen that compulsory redistribution of this type is just another form of capital consumption.⁵ How is this? We must ask what the “rich” would have done with the income if it had

been left in their hands. The answer is, they would have saved it—i.e., demanded capital goods. But if this income were handed over to those whose incomes are very much lower, they would not save it; they would use it to purchase consumption goods. The effect then of such redistribution would be that consumption goods are produced where capital goods would have been produced—i.e., there is capital consumption.⁶

Redistribution cannot, therefore, continue indefinitely. Once the capital has been consumed, the “high” incomes derived from its use will no longer be available to be redistributed. Nor can we assume that those who do earn higher incomes will passively acquiesce in having ever greater proportions of their income taxed away. After a time, progressive taxation defeats its own ends. The individual simply ceases to earn the income in taxable form—or as in some countries, is forced to start keeping two sets of books. Observe, too, the inconsistency here: on the one hand, it is the

⁴ Progressive taxation actually serves to maintain the existing distribution of wealth and income: true, the already-wealthy are prevented from getting wealthier, but those seeking to rise are prevented from rising at all. See Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949), pp. 803 ff., and David McCord Wright, *Democracy and Progress* (New York: Macmillan, 1948), pp. 94-103. For the British experience with “equalitarian” welfare services, see the various Hobart Papers issued by the Institute of Economic Affairs, London.

⁵ See F. A. Hayek, *The Pure Theory of Capital* (London: Routledge and Kegan Paul, 1941), ch. xxv.

⁶ If resources are scarce, we cannot have more of both; if, with the Keynesians, we wish to argue that there are always unemployed resources, then we are implicitly assuming either (a) that these resources are perfectly versatile, or (b) exactly the right sort of resources are available in exactly the right proportions.

people themselves who, in a free market, create these "high" incomes by buying what the "capitalists" help to produce—and then, the people propose to "correct" the "unequal" distribution of the market via the political process!⁷

Redistribution in Backward Countries

What about redistribution in other contexts—say, in an underdeveloped country, or under feudalism? Now, the characteristic mark of such precapitalistic or noncapitalistic situations is the extreme poverty of the masses, against which the comparative wealth of the few landlords and nobles appears even more harsh. In these situations, the problem is to *produce* sufficient goods; i.e., to build up the capital resources re-

quired to produce the consumption goods for the masses. The question of political redistribution hardly arises.

This is not, of course, to disparage the ideal of voluntary giving. It would not be necessary to add this, were it not for the persistent misunderstanding of the implications of free market principles with respect to charity. Economics certainly does not assume that all men are selfish monsters—though a great many people, who should know better, go on talking in this fashion. Economics is concerned only with the principles governing the allocation of scarce resources among competing ends; it says nothing about the ends themselves. And, for most people, these ends will include, as a matter of course, the assisting of those who are in need. The pity is that in so many countries, especially underdeveloped ones, heavy taxation—including direct taxes, indirect taxes, and the hidden tax of inflation—is making it more and more difficult to continue all those traditional forms of giving that formerly were regarded as the privilege and the duty of the many who felt they could afford it. ♦

⁷ I am not saying that the developed areas today are, or at any time were, paradigms of the free market. In fact, only *some* free market principles were ever applied in the past; and the last 100 years have seen an accelerating movement away from even this. What I am saying is that we should try to clarify the ideas in terms of which we attempt to interpret the real world. If we wish to have a system based on governmental direction rather than one based on the principle of consumer sovereignty, we should be clear about this.

The English poor laws, minimum income allowances, work houses, orphanages, asylums, alms houses, (Bentley's) Houses of Industry, (John Darr's) Corporation of the Poor, free contract, extension of education and suffrage, work relief for the able-bodied, regulation of health and education, abolition of slavery, bankruptcy and usury laws, maritime safety codes, pure food and drug regulations, railroad and utility legislation, antitrust laws, housing and zoning ordinances, antidiscrimination law, minimum wage laws, collective bargaining laws, child labor laws, work-hour regulations, minimum price controls, price supports, social insurance, progressive taxation, tariff and immigration policies, job training, public works programs, rehabilitation programs, vocational training, family services, hospitals, schools, libraries, clinics, information services, public housing program, recreational facilities, library services, denial of suffrage and right to marry to the poor, special treatment for veterans, the blind, the insane, widows, children, the aged, the disabled, and the unemployed, tax cuts and rebates, public employment agencies, welfare agencies, and unemployment compensation.

THOSE WHO SPEAK glibly of "allocating purchasing power" — by which they mean the forcible redistribution of wealth, patently a political function — are prepared to employ means that are both impractical and immoral, and alas, these persons are in full charge of the poverty debate today. If the sentimentalists casually prescribe, and get, massive crop supports to aid poor farmers, it is because there are all too few cool heads around to point out that such aid is at the expense of the urban poor, in the form of higher food and clothing prices, loss of jobs, and an inflationary attack on the value of savings and fixed pensions, not to mention the bad psychological effects on both the farmers and the urban poor involved in the unjust transfer of wealth.

It is about time, then, that the poverty problem be analyzed, in rigorous simplicity, as part of the basic problem of the market economy: overcoming scarcity.

The evidence is that economic progress is rapidly overcoming material impoverishment, and that

Mr. Wheeler edited the conservative student journal, *Insight and Outlook*, at the University of Wisconsin, then worked three years for *National Review* before resigning to found *Rally*, a new national monthly journal of opinion geared for the young, to advance free market ideas and provide a new voice for "second generation" libertarians and conservatives.

This article is slightly condensed and reprinted by permission from the Winter 1965 issue of *Rampart Journal*.

in the process much of the misery and demoralization that attends economic deprivation is evaporating. (This is not to suggest that misery and demoralization and crime are not increasing on the whole: they are, but in my opinion for spiritual reasons.) Therefore, as a tentative hypothesis it would seem that a properly directed increase in production should form the core of any accelerated attack on poverty, and that, conversely, the kiss of politics should be emphatically avoided.

Panaceas Past and Present

Just about every panacea devised by man has already been wheeled out against poverty. Few, if any, of these, however, have ever jarred the correlation between the expanding supply of goods and services, broadly distributed by a contractual economy, and the steady improvement in the lot of the poor.

Professor Robert Lampman of the University of Wisconsin has taken note of past legislative attempts to help the poor.¹ These include:

The English poor laws, minimum income allowances, work houses, orphanages, asylums, alms

houses, (Bentham's) Houses of Industry, (John Cary's) Corporation of the Poor, free contract, extension of education and suffrage, work relief for the able-bodied, regulation of health and education, abolition of slavery, bankruptcy and usury laws, industrial safety codes, pure food and drug regulations, railroad and utility legislation, antitrust laws, housing and zoning ordinances, antidiscrimination laws, minimum wage laws, collective bargaining laws, child labor laws, work-hour regulations, minimum price controls, price supports, social insurance, progressive taxation, tariff and immigration policy, job retraining, public works programs, rehabilitation programs, vocational training, family services, hospitals, schools, libraries, clinics, information services, public housing, nurseries, recreational facilities, sanitary services, denial of suffrage and right to marry to the poor, special treatment for veterans, the blind, the insane, widows, children, the aged, the disabled, and the unemployed, tax cuts and rebates, public employment agencies, welfare agencies, and unemployment compensation.

Whatever miseries are suffered by the poor, they do not suffer from political neglect.

In brief consideration of Professor Lampman's awesome list, it

¹ Robert J. Lampman, "The Anti-Poverty Program in Historical Perspective" (a paper presented to the UCLA Faculty Seminar on Poverty, February 25, 1965).

is readily seen that antipoverty legislation has been sometimes ineffective and often harmful. We might very well wonder if we haven't been killing the poor with kindness. Pending further analysis, it might tentatively be supposed that such programs as have been effective in helping the poor with no strings attached are precisely those which removed legislative interventions into the production process, such as the abolition of slavery and the extension of free contract.

Progress in Profile

In 1798, Jeremy Bentham wrote: "The multitude included under the denomination of the poor compose the bulk of the community — nineteen-twentieths might perhaps be found to belong to that class."

A century ago, more than half of the U.S. populace was poor by contemporary definitions. Jacob Riis estimated in 1892 that 20 to 30 per cent of New York City lived in penury.

Studies made in 1939 and 1949 established poverty lines of \$1,950 and \$2,500 respectively. The 1965 poverty line, suggested by the President's Council of Economic Advisers, is \$3,000 income per family, or \$1,500 per unattached individual per year.

Since the 1949 survey, by CEA figures, the number of those living

in poverty has dropped from 32 per cent to 20 per cent, while at the same time the standard of poverty rose by \$500, or 20 per cent.

Both of these trends — towards fewer poor, and a rising standard of poverty — have been in effect since Bentham's time. So dramatic has been the improvement in the status of the poor that a truly revolutionary belief in the final abolition of poverty has obtained in the U.S. and Britain since about the turn of the century. "In contrast to the people of less fortunate lands, who have regarded poverty as inevitable, Americans have tended to regard it as an abnormal condition," writes economic historian Robert Bremner.²

Towards a Sharper Definition

The concept of poverty, like art, does not readily lend itself to objective definition. This has proved to be the biggest stumbling block for serious analysts.

Dorothy Brady of the University of Pennsylvania put it succinctly: "When faced directly with the problem of determining [poverty] for a given time and place, the theorist will deny the possibility of a unique answer and the propagandist will settle for one of

² Robert H. Bremner, *From the Depths: The Discovery of Poverty in the United States* (New York University Press, 1956).

many solutions if the result suits his purpose."

This is not to suggest that poverty is indefinable, but rather that any definition is necessarily arbitrary. There are quite as many definitions as there are poverty fighters. But for economists, perplexed in many cases by an inability to distinguish the poor from the nonpoor, setting workable standards is the first order of business.

Most efforts thus far have adopted either the "poverty line" or the "market basket" approach.

The poverty line defines as poor all those whose current cash income is less than a given amount, \$3,000 in the case of the present CEA standard.³ It is by all odds the least precise method of definition, but it has the advantages of being easily understood, simple to work with, and adaptable to reliable and available figures.

Market basket studies define poverty as some multiple (usually twice) of the cost of a subsistence diet. They are a great deal more reliable and discriminating than poverty line studies, but chronically lack dependable data.

Some effort to cross-pollinate the two approaches has been made, one report concluding that either

yielded about the same percentage of poor. However, the evidence is slight, and no information exists about comparable degrees of poverty.

Several highly flexible definitions of poverty have been advanced by economists who find insuperable the difficulties in lumping together as co-equals in poverty a sharecropper's family with nine kids and one tired cow, and a retired couple with a fat portfolio and an urgent desire to do nothing more taxing than rock on the front porch of their retirement bungalow.

One school suggests that poverty is relative; thus, at any given moment, a certain proportion of the population is defined as poor. Allowing for the steady change in socially-determined poverty standards, this approach is not as whimsical as it appears at first blush, and in fact has a good correlation with poverty statistics assembled over the years by contemporary investigators.

Another school seeks to define poverty by first establishing who the poor are. This method obliges the investigator to look closely into an individual's circumstances and, by using any or all provisional definitions of poverty, decide whether the individual is poor. Such detailed studies are time-consuming, so relatively few cases

³ *Economic Report to the President*, prepared by the President's Council of Economic Advisers.

can be handled and statistics of this sort for large cross-sections of the population are unavailable. Nevertheless, this method has the virtue of open-mindedness and is free of the distortions of mass statistics. Once several case-studies are collected, the investigator usually has a good idea of the economic characteristics of poverty, and he may also have good insights into its causes.

Rags and Patches?

Who are the poor?

The question is troublesome, partly because the poor are relatively few and often isolated from affluent America, partly because we are blinded to the new poor by lingering images of mortgage foreclosures, tattered clothing, dilapidated hovels, and the other paraphernalia of poverty in years past.

According to figures developed from the CEA's \$3,000 poverty line—bear in mind that these figures are meant to invoke the gloomiest possible view of the problem—33 to 35 million Americans live in poverty, one-third of them children. These include 9.3 million families (30 million people) and some 5 million unattached individuals.⁴ Again by CEA figures, 5.4 million families have incomes under \$2,000 a year, and

1.3 million unattached individuals have incomes under \$1,000.

Even if extravagantly overstated, the figures make it clear that poverty is still a serious matter.

Poverty in the United States cuts across lines of age, sex, education, race, and locality. But it is by no means random. Persons in several distinguishable categories, the most important of which are the aged, farm families, non-whites, and fatherless families, appear among the poor appreciably more frequently than the average. Curiously, unemployment is well down the list, which suggests that much of the government antipov-erty effort aimed at alleviating unemployment is misdirected.

Against a figure of 20 per cent poverty overall nationally, statistics indicate that among the poor are:⁵

76% of families with no earners.

48% of families with part-time earners.

34% of families whose heads are unemployed.

47% of families whose heads are 65 or older.

31% of families whose heads are 24 or younger.

37% of families whose heads have under eight years of education.

48% of families whose heads are female.

⁴ *Ibid.*

⁵ Prof. Harry G. Johnson, "Poverty and Unemployment."

44% of nonwhite families.

43% of farm families.

84% of nonwhite farm families.

Categories such as these are not to be understood as causes of poverty, but rather as areas that incur a high risk of poverty for other reasons. When the categories overlap, as in the last-mentioned figure, the risk of poverty is much greater.

So the statistics unfold. There are, happily, some pleasant surprises.

In Harlan County, Kentucky — scene of some of the nation's bitterest labor battles, and by any standard a very poor county, indeed — 88 per cent of the families have their own washing machines (even if they lack running water); 67 per cent have television sets; 42 per cent have telephones; and 59 per cent own an automobile. In Tunica County, Mississippi, the poorest county in the poorest state, 52 per cent have television, 46 per cent have autos, and 73 per cent have washing machines.⁶

The Michigan Survey Research Center reported last year that:

— of all families reporting incomes from \$2,000 to \$3,000 in 1962, 45 per cent owned their own homes, and 66 per cent of these had

no mortgage; 42 per cent of the \$1,000 to \$2,000 bracket owned their homes, and 35 per cent in the under \$1,000 bracket.

— in 1960, 14 per cent of families with incomes under \$3,000 purchased new cars. 40 per cent of these families owned cars.

— of families with less than \$3,000 income in 1960, 700,000 purchased television sets during the year; 500,000 bought refrigerators; and 300,000 bought washing machines.

The large categories of the poor deserve further note:⁷

The aged. Numbering 2,581,000 families, this is the largest group of poor. However, the figure is substantially overstated due to the smaller than average size of families headed by the aged, and due also to their generally decreased needs and greater assets (the median net worth of the aged is \$8,000 as opposed to \$4,500 for the population as a whole). At least one upward statistical adjustment is needed, on the other hand, to allow for medical expenses among the aged two and one-half times the average.

The aged are mostly white, usually live in urban areas, and strongly tend to live as couples (two million). In addition, a half-million elderly women live with their children. The majority of

⁶ Herman P. Miller, *Rich Man, Poor Man* (New York: Thomas Y. Crowell Company, 1964).

⁷ Miller, *op. cit.*

the aged receive Social Security or a pension; 36 per cent of them receive all of their income from these sources. Many older people own their own home free and clear. Half have incomes over \$2,500 a year (half, that is, of the aged poor), and 64 per cent have incomes over \$2,000, most of whom would be removed from the rolls of the poor given a more realistic estimate of their circumstances.

Farm families. The second largest group of poor is found among farmers, although, again, the number is much inflated due to non-cash incomes common on farms in the form of food, fuel, and lodging. A lower consumer price index in rural areas also adds to the overstatement. About 1,570,000 farm families are counted among the poor, the majority of whom have incomes under \$2,000.

At the same time, farmers tend to have relatively high assets. One study of functioning farms in 1963 found average net assets of \$35,800. Another sampling, of two million farmers, yielded an average net worth of \$43,973.

Half the poor farms are in the South. The number of Negro farmers has dropped sharply in recent decades, and the exodus of Negroes to urban areas is continuing. Colored farm families presently number only about a quarter of a million.

Three-hundred thousand farm families are headed by men over sixty-five, but over half are headed by men in the thirty-five to sixty-five bracket. Farm families headed by women are rare.

Fatherless families. Sometimes called broken homes, 1,560,000 families are counted in this group, almost all in large metropolitan areas. One-third of all fatherless families are colored (as opposed to a tenth of the general populace), a disproportion sociologists feel reflects the relatively greater instability of Negro marriages.

Nonwhite families. The last major category of poor is the non-whites, of whom 950,000 families live under the poverty line, or almost half the total Negro population of 2,030,000 families. It is altogether likely that the number of Negro poor is understated, although not seriously. In a number of ways, American Negroes still must deal with markets and employment opportunities constricted by discrimination, voluntary segregation, and a variety of other causes. As a result of the diminished supply of goods and services available to him, the Negro's cost of living rises, especially for housing.

Hidden Roots

The causes of poverty resist economic analysis. They may be

lost in the secrets of the mind, as in the case of men too lazy or too nervous to hold a job. Or they may be lost in complex external events, such as caste, custom, or dogged misfortune. Or, routinely, poverty can be caused by the interaction of the internal and the external—the vexing Negro question is a case in point.

What the economist may say is that the market assigns a high risk of poverty to the unproductive and the underproductive. This is corroborated by the high incidence of poverty among small family farmers, the market for whose product has long been depressed, or among fatherless families, in which the mother must stay home and care for her children rather than obtain outside employment, and so on.

It is worthy of remark that one major cause of poverty is poverty itself.

Professor Lampman has observed, "It is interesting that few children, even those of below-average ability, who are not born and raised in poverty, actually end up in poverty. This suggests that poverty is to some extent an inherited disease."⁸

Poverty perpetuates itself from

⁸ Robert J. Lampman, "Approaches to the Reduction of Poverty" (a paper prepared for the American Economic Association meeting in Chicago, December 30, 1964).

generation to generation by denying to those in its grip the essential means to escape—education, information, training, opportunity, motivation, and even health and strength.

The poor are more frequently ill than the average; they stay ill longer, and their illnesses tend to be more severe; they lose more time from work than the average; they suffer higher than average rates of infant and maternal mortality, they are subject to more severe mental disease, and they die younger.⁹

In severe cases, the poor are constantly wrapped up in sheer survival. When one must worry where the next meal is coming from, one's potential and aspirations are sure to be stunted. There is no time to spare, no will to diversify interests, and no impulse to gain skills or training, or to embark on programs of self-improvement. In time, bitterness or apathy can consume the poor, and thereafter their chances to escape their plight are slim.

Where Next?

Poverty exists and works its hardships, we may conclude, although it is extremely difficult to know with exactitude its characteristics and causes. And we pay

⁹ Michael Harrington, "A Glib Fallacy," *The New Leader*, March 30, 1964.

twice for poverty, it has been said; once in wasted potential, again in diverting resources to alleviate its hardships. Even as a warehouse fire in Hong Kong or tornado damage on the Great Plains eventually makes itself felt, through the interdependence of market effects, in our own pocket-books, so do we very literally pay for the existence of poverty whether we are taxed because of it or not.

Thus, even those among us who prefer not to be their brothers' keepers have an interest in investing in the eradication of poverty. The question is, of course, how shall we set about to achieve this end?

"We are going to try," said the President a year ago, "to take all of the money that we think is unnecessarily being spent and take it from the 'haves' and give it to the 'have nots' that need it so much." Of course Robin Hood and his merry men made a good thing out of it, but the approach is repugnant. It is also self-defeating.

Good ends cannot be gained through bad means, simple theft in this case. The notion of stealing for the good of the poor contains the massive presumption that a third party, here the government, can comprehend completely the lives and goals of two individuals, and adjudge with cosmic wisdom

that both would be better off if one were forced to hand over some of his property to the other. The human race in general, and its governments in particular, are a little short of that sort of cosmic wisdom.

Consider the Job Corps

For a typical example of this, contained in the Economic Opportunity Act, consider the Job Corps.

Authorized under Title I of the act, the Job Corps is the most important, the most expensive, and the most ballyhooed of the administration's antipoverty programs. It is for youth of either sex from sixteen to twenty-one who are out of school and unemployed. The youngsters serve in conservation camps or training centers, and receive room, board, clothing and essential services, living and travel expenses, and leave allowances. The cost per capita works out to some \$4,700 a year, enough, some hostile editorialists have pointed out, to send a young man to Harvard and pay for his tuition, room, board, books, pocket money, and installments on a sports car.

But it is not only the expense of the Job Corps that appalls; it is the misdirection as well. The corps may be a yummy way to deal with dropouts and delinquents, but what has it to do with poverty? And what will have been

achieved when the youngsters decamp? — the art of planting trees is not, after all, a highly marketable skill. Moreover, the youngsters eligible for the program are likely to be the least responsible of their age groups — not so much the deprived, but the drifters and troublemakers. Removing them from whatever disciplinary influence their parents still wield and turning them loose in the northwoods may result in top-grade mayhem.¹⁰

Such is the cosmic wisdom of two billion dollars' worth of War Against Poverty. The state of New Jersey has already withdrawn from the Job Corps program because it was aggravating rather than solving the school dropout problem. It never occurred to the planners that offering attractive situations to school dropouts would attract students to drop out of school, but of course that's just what happened in New Jersey and is probably happening elsewhere.

Two billion dollars would buy a lot of bread for the hungry. Why not let the hungry keep it?

We will never be able to say with certainty what income and what resources distinguish the poor from the nonpoor. Neither

will we ever be able to say with certainty what causes poverty. But we can observe that poverty is always, to a greater or lesser degree, a matter of economic want. We may infer, therefore, that poverty is curable by alleviating want. That is simply a market problem.

Mass Production through Private Enterprise the Best Hope

The real war, the natural war, against poverty lies in the ability of the market to bring more and better goods and services to the poor more cheaply. It lies in improving entrepreneurial ability to discern the special needs of the poor and satisfy them at prices the poor are willing to pay. It lies in increasing the mobility of the market by removing the fetters and regulations that bind it down, cutting away the tax burden that eats away its productive capacity, and investing our utmost energies into its functioning. It lies, ultimately, in our resolve to be free.

Virtue is not at cross purposes. As we strive to improve our own values and our resources, we help rather than harm those whom we influence morally and economically. Under the contractual economy, one man's productivity is not another man's loss; everybody gains. In a very real sense, we render the poor great service by

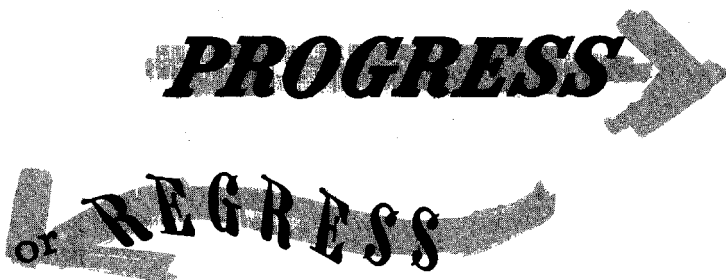
¹⁰ Since written, this prediction has been borne out by numerous newspaper accounts of Job Corps incidents including rape, dope-addiction, and all kinds of violence.

leading the best lives we can. True self-interest is profoundly charitable.

But the charity of selflessness has its place, too. One of the most onerous by-products of state welfareism and the ideology that nourishes it is the stultification of our impulse towards charity. Not only does the state seize our means to be charitable, it steals our will to be charitable.

In short, the state takes a decent

human instinct and converts it into the dole. It should not be so. There are many ways we could extend a helping hand to the poor that would not attack their pride and initiative. It is not so much a matter of taking a basket of fruit to the slums over the holidays, but of tactfully sharing our experience, training, insights, aspirations, to impart to the poor the will and the knowledge of the way to escape their dilemma. ♦



HANS F. SENNHOLZ

NOT LONG AGO, a small Pennsylvania corporation received the Presidential "E" award for its contribution to export trade and the nation's balance of payments. In its fiscal year, 1965, the company sold more than \$16 million of its products to foreign customers. Since 1960, its sales abroad returned \$55 million to the United States.

It seems that some American policies are reverting to the principles and doctrines of the seventeenth century. Others are repeating the errors and follies of the dark Middle Ages. In 1628 the best known mercantilist writer, Thomas Mun, urged his countrymen always "to sell more to strangers yearly than we consume of theirs in value." In 1667 the most famous of German mercantilist writers, Becher, advocated as

Dr. Sennholz heads the Department of Economics at Grove City College, Pennsylvania.

a most important economic rule and axiom "that it is always better to sell goods to others than to buy goods from others, for the former brings a certain advantage and the latter inevitable damage." In 1712, Charles King in *The British Merchant* declared the export of finished products "in the highest degree beneficial," the export of natural products "so much clear gain," and the corresponding import "so much real loss."

Napoleon Bonaparte applied this idea on a huge scale in his Continental System. He gave public recognition, bestowed medals, and issued citations to Frenchmen who exported manufactured goods to England.

In recent years our *foreign trade policies* gradually have fallen under the sway of seventeenth century economic thought. Our "unfavorable" balance of payments caused the Eisenhower Administration to prohibit American ownership of gold in foreign countries. Since then, the United States government added a "voluntary" program that restricts bank and business investments abroad in order to keep money and gold in the United States. Furthermore, a punitive tax on American purchases of foreign securities aims to curb our heavy losses of gold. Those are some of the steps already taken toward comprehen-

sive government control over all our foreign trade and transactions.

In England, comprehensive foreign exchange control dates back to the darkness of the Middle Ages. Until the reign of Charles I (1628) the office of Royal Exchanger handled all exchange operations and all trade in precious metals.¹ Exportation of bullion and coin was summarily outlawed until 1663 when the prohibition was narrowed to English coins only.

In France exportation of gold and silver was outlawed from the Middle Ages until the eighteenth century. The usual penalty for taking coins out of the realm was death. In Spain and Portugal the export of bullion and coins went on undisturbed for more than 200 years as if no prohibitions existed, even though the penalty was death.

The "Spending" Multiplier

In recent months we have witnessed a marked increase in government and private *spending* and a strong rise in economic activity. The demand for goods and services has been stimulated by expansionary government and Federal Reserve actions. Spending, whether by governments or citizens, is considered the powerful

¹ Cf. Eli F. Heckscher, *Mercantilism*, Vol. II, p. 246.

engine of economic progress and prosperity.

Spendthrifts of all ages have advanced similar economic doctrines. In 1686, for instance, the Austrian writer, Wilhelm Schrötter, Thomas Mun's pupil, wrote: "The more a manufacturer causes money to pass from one hand to another, the more useful it is to the country, for so many people does it maintain." And at another place: "Through the exchange of money the sustenance of so many people is multiplied."

Thrift was regarded as the cause of unemployment, for real income was thought to diminish if money were withdrawn from circulation. For this reason Schrötter wrote a long discussion on "How a Prince Should Limit his Thrift." In 1695 the English writer, Cary, advocated the same principle with even greater clarity. He stated that everybody's spending causes income to rise. If everybody increases his spending, according to Cary, everybody "might then live more plentifully."²

Export Embargoes

On Jan. 21, 1966, the United States and British governments placed *curbs on exportation of*

copper in order to protect their shares of dwindling world supplies of the metal. The United States Commerce Department sharply expanded its controls over exports of copper from the United States and clamped tight limits on a broad range of categories, including shipments overseas of copper ores and refined copper.

In England, this policy of "provision" dated back to the twelfth century and lasted until the nineteenth. Export prohibitions on iron, copper, and bell metal were repealed in 1694. Other restrictions that were imposed by Henry II, in 1176 and 1177, lasted until 1822. The high-water mark was reached under Edward III about the middle of the fourteenth century.

In France, export restrictions were first imposed during the thirteenth and fourteenth centuries. They aimed at keeping essential materials, particularly foodstuffs, within the country. At the beginning of the nineteenth century, Napoleon still conducted a "policy of provision" with regard to foodstuffs. The first French law that permitted their exportation was enacted in 1819.³

Early "Poor Laws"

Even our *war on poverty* declared by the present administra-

² *An Essay on the State of England, in relation to its Trade*, London, 1695, p. 148 ff; cited in Heckscher. Vol II, p. 209.

³ *Ibid*, p. 92.

tion is not new at all. During the period of the Stuarts and of the Tudors, the English government endeavored to aid the low income classes of society. The avowed aim of an act of Parliament in 1603 was to raise the wages of textile workers. Minimum wage rates were fixed, and manufacturers were fined one shilling for every penny of wages paid below the prescribed rates. Especially in the years 1629 to 1640, a wide "policy of welfare" was pursued.

In order to prevent unemployment, businessmen were compelled to continue their operations even when suffering losses. They had to keep wages high, and were imprisoned in case of disobedience. For the benefit of the poor, food prices were intensively controlled. Grain was to be sold under cost price.

Already in 1563, the Elizabethan Statute of Artificers tried to regulate labor conditions in all details, and it remained on the books until 1814. In order to assure "just" wages to the working population, wage rates were fixed anew each year by the Justices of the Peace according "to the plenty or scarcity of the time." The Justices in turn had to consider the cost of living by referring to "the prices of all kind of victuals, fuel, raiment and apparel, both linen and woolen, and

also house rent." Wage fixing in sixteenth-century London was similar in many respects to wage fixing in London today.

Regulation of Business

If you believe that government *regulations of commerce and industry* are new and progressive, you should study the twelfth century English industrial regulations. At least since 1197, the English state had tried to regulate the technique of manufacture. For the cloth industry, for instance, the English government prescribed the various dimensions of cloth, technique of production, dyeing, stretching, finishing, the tools of trade, the packaging and labeling, and so on. Similar regulations, more or less complete, were imposed on all other industries.

In France, Louis XIV, the Sun King, appointed *intendants* and inspectors who were charged with the regulation of industry. From the handling of raw materials to all subsequent stages of production, these servants of the king controlled the production process.

The system of control obviously necessitated a variety of penalties. Frequently, "defective" goods were confiscated or cut to pieces, money fines were imposed, or the right to practice the craft or conduct the business was withdrawn. According to a decree of 1670, the

name of the offending merchant was to be posted, and the offender himself could be placed in a pillory for public derision.

In spite of countless regulations and limitations that aimed to achieve uniform standards, corruption and personal favoritism blunted the controls. The government could make individual exceptions to any prescription. Personal influence was as important as it is today.

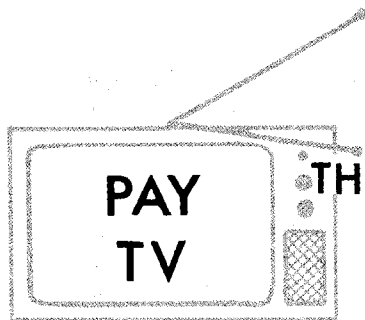
Mercantilism Persists

For instance, the medical profession today labors under the professional discipline of several regulatory agencies. Under the *ancien régime*, training and examination of physicians also was a serious government matter. Under the watchful eyes of the government, ancient quackery was to be perpetuated. In some cases, persons with no training whatsoever were practicing the business of healing and offering salves and medicaments because they curried favor with the inspectors, or succeeded in winning over the lackeys, valets, mistresses, and adventuresses of the Court. Royal charters, permits from princes, and acquired titles of physicians of

the king or queen, of surgeons of the navy, and the like, sanctioned all kinds of quackery.

The methods of favoritism, currying favors, obtaining franchises, licenses, or government orders have not changed materially since the seventeenth century. Diamonds and minks, personal connections and right contacts, government positions and offices, seem to retain their significance for professional success and financial reward.

How modern and progressive are our prevailing doctrines and official policies? A historian who attempts to dissect the so-called modern version of political economy may be surprised to discover its true age. Despite claims of originality, many of the modern are of ancient origin. Some stem from the armory of Marxism and Fabian socialism as they were developed during the nineteenth century. Others date back to the age of Mercantilism that prevailed in Western Europe from the sixteenth to the eighteenth century. And still others have survived from the darkness of the Middle Ages. Much that passes for progress today is but a regression into the follies of the past. ♦



THE RIGHT TO COMPETE- AND TO SPEAK

ELIZABETH GILLETT

ON NOVEMBER 4, 1964, it became illegal in California, by a two-to-one vote of the people, for anyone to sell and broadcast original television programs to you on your home set.

How the California viewer lost his option to pay at home for special TV shows without commercials and not available on other channels is an amazing story in twentieth-century America. It could only happen in this nation's current "mixed economy" of swelling government controls over business, endorsed or unchallenged by the businessmen themselves.

Today, in this "land of the free," enough aroused citizens can still "execute" a business competitor, *and* freedom of speech, simply by majority vote—even as the Athenians "democratically" voted the death of Socrates some

2,300 years ago. Fortunately, also in this country, the victim of such perversions of constitutional government can seek redress by exercising his constitutional right to use the governmental function in a proper way—as the avenue of his self-defense and the agent of legitimate retaliatory force. Sometimes, however, the court costs—in time and money—of such redress can be crippling.

The Battle

The "gadfly" of the Golden State, its victim, is Subscription Television, Inc. (STV), run since October 1963 by Sylvester (Pat) Weaver, veteran of commercial television, former president of National Broadcasting Company. STV was formed in January 1963 with patents on a cable system from Skiatron Electronics and capital from Lear Siegler, Inc. (electronics manufacturer) and Reuben H. Donnelley Corp. (sales promotion organization). In the next year and a half, STV got total public

Elizabeth Gillett is a free-lance writer on business, economic, and political matters, whose by-lined articles have appeared in *Barron's*, *The Journal of Commerce*, *Saturday Review*, and elsewhere. This article is condensed from an original research piece she is doing for another publication.

financing of around \$20 million.

Broadcasting over STV's three simultaneous channels to 2,300 subscribers in Los Angeles began July 17, 1964; to 1,810 subscribers in San Francisco, on August 14, 1964. In both sites, STV gathered fewer starting subscriptions on the movie industry's home-ground than anticipated. Mr. Weaver soon lined up five major film producers to make movies for STV, among other original programing he sought for subscribers each evening during "prime time," 7 to 11 p.m., in compatible color.

Meanwhile, the pay-TV antagonists, led by the Southern California Theatre Owners Association—backed by what is now the National Association of Theatre Owners, Inc., were lining up strategy, funds, and allies, including their former foes, commercial television and even community-antenna companies. All saw a competitive threat in STV. They feared that if pay television caught on and gained enough subscriber-volume, audiences would not come to movie theaters and commercial TV might lose some of its top attractions to pay-TV.

The antagonists persuaded many California residents that pay-TV meant the end of "free" (advertiser-supported) television. They gathered a "war chest" of \$1.5 million or more from trade,

union, and individual contributors. SCTOA recruited the necessary 468,259 signatures to get Proposition 15 on the California ballot, which would outlaw pay-TV *in the home*.

Despite protests from local Better Business Bureaus and Chambers of Commerce, Southern California print space and air time were flooded with warnings against the predatory menace of pay-TV, which, it was alleged, would end the World Series on "free TV"—despite NBC's contract (recently renewed through 1968).

However, STV had suffered far heavier expenses than planned, thanks to its elaborate programing and time-consuming cable installations, even before this formidable campaign erupted. It did manage to pour \$180,000 and much energy into the fight, plus a few thousands contributed by various individuals and unions. But the antagonists were too strong, their propaganda apparently overwhelming. When Proposition 15 was voted into law in November 1964, Mr. Weaver's operation had reportedly been losing between \$3,000 and \$10,000 a day since its start of operations.

STV suspended broadcasting as of November 10, 1964. It recovered its 6,000 receiver-billing boxes, refunded installation charges, and shelved "orders for

40,000 more [installations],” according to Lewis M. Marcy, STV vice-president. It also retrenched by selling most of its usable equipment and moving a reduced staff to New York City. Its stock’s \$12 offering price soon reached a low of \$1.50. In late March 1965, STV filed a Chapter 11 bankruptcy plea.

But this was *not* the end of STV (whose stock in mid-February 1966 had recovered to over \$4) or of the resilient Mr. Weaver, who began plans for a new business of “network program service” in 1965, while directing STV’s court battles on the Coast.

The Turning Point

On May 20, 1965, Judge Irving H. Perluss of the Superior Court of Sacramento County overruled the California Secretary of State’s rejection of Mr. Weaver’s charter for a *new* subscription television company, submitted on December 9, 1964. Judge Perluss found the Free Television Act, established by favorable initiative vote on Proposition 15, unconstitutional because it “abridges freedom of speech.”

About the pay-TV opponents, Judge Perluss observed, the “‘evil’ with which they are concerned is speculative and illusory. . . . [namely] that subscription television *may* destroy free television operation” (emphasis his). He

also noted that “the charges here made could have been made by the radio industry when television was made available for the home. . . . Invention and progress may not and should not be so restricted. . . .”

The defendant, California’s Secretary of State, with *amicus curiae*, the theater-owners, soon appealed this decision.¹ (On March 2, the State Supreme Court in a 6-1 decision agreed with Judge Perluss that the November 1964 Free Television Act is unconstitutional.) Also outstanding is a decision on STV’s conspiracy suit against several California exhibitors’ groups and others for \$117 million in damages, the verdict on which may also cause an appeal. (STV, in addition, is suing the State of California for \$14 million in damages sustained as a result of the Proposition 15 initiative.) For good measure, the theater owners will have to continue lobbying on the FCC’s pending decision on the petition of Zenith Corporation, through Teco, Inc., to establish the first *nationwide* pay-TV system (by air, not cable), submitted just before Judge Perluss’ decision.

Significance

What is to be learned from

¹ Paramount’s International Telemeter Corp. and the American Civil Liberties Union were *amici curiae* for STV.

these facts and events? Some enduring and fundamental truths underlie them, of economic, political, and moral nature. Besides, this infant industry carries significant implications for its entrepreneurs, its competitors, and its potential customers.

We must begin by stressing that the *quality* of fare offered by the various screen media via different technical and marketing methods is not at issue here. Rather, the *property right* of every businessman to offer his own wares in a free market is the crucial concept denied by the voters of California in the 1964 election. Instead, they legalized the false concept that existing vested interests have the property "right" to *rule* a free market—a contradiction.

As STV's Marcy puts it, "This could be compared to Western Union saying there should be no telephones."

What were STV's property rights? Did the company overstep them? STV sought to sell programs cheaply that it had created and paid for, sent out over cables it had bought and laid (attached to phone wires for which it paid rent), to be received on a subscriber's own TV set by means of a small control box owned and manufactured by STV, which it rented cheaply to the subscriber after a moderate installation fee.

STV never *forced* anyone to subscribe, but tried to win customers on the appeal of its wares: absolutely no commercials, the novelty of paid performances seen in the home by residents and their guests, original programs not to be seen on freevee, limited but convenient viewing times, and low prices in comparison with most alternatives. STV stressed its supplemental nature in relation to commercial TV. It had no cancellations during its few operating months. It made no attempt to crush its competition—except to survive.

Since STV's form of business was a variation of an existing mass communications medium, freedom of speech was also violated when the Free Television Act forced STV to stop operating. Thus, when any individual property rights can be abolished overnight by majority vote, as happened in California, then all related, subsidiary individual rights become legally vulnerable to the mob. Individual rights are safe *only* if property rights—which include the right to sell or trade one's own goods—are legally inalienable, protected by government. Otherwise, blondes and brunettes could vote the exile or extinction of redheads, since one's life is also one's property.

What "crime," then, did STV

commit that persuaded California voters to outlaw it?

The highly publicized "threat" that pay-TV would deprive the low-income viewing masses of "free" TV entertainment by bidding away top shows and talent for the exclusive pleasure of "those willing and able to pay for it," in the words of Robert W. Sarnoff on June 3, 1964 in Beverly Hills, California. While Mr. Sarnoff, then NBC chairman, now RCA president, also deplored "seeking government protection against a pay system that does not use public frequencies," movie exhibitors ignored this qualification and echoed his basic charge in spades.

This righteous-sounding objection is typical of today's muddled economic thinking: "Anything that hurts my business is immoral and ought to be illegal." It means that those who *can* pay for special entertainment should not be permitted to buy it on television. Does Sam, who can afford to buy a car, deprive Jack, who cannot, of anything that is rightfully Jack's? No. Nor does Sam owe a car to Jack simply because Sam has more money.

Almost twenty years ago, in an antitrust decision, exhibitors lost their contractually exclusive right to first runs of new films produced by the movie companies — *before* television of any kind. Had film

producers retained (or regained) their ownership of movie theaters, there would be no question today as to who gets new movies first. But since new films can be sold to the highest bidder, and commercial TV now has the biggest audience and pocketbook, it now may be just a matter of time for exhibitors.² Now, they want their government-destroyed property right reinstated in a new form by crying wolf at pay-TV.

Conclusion

The craven, despicable behavior of commercial TV and movie exhibitors toward their new competitor springs from a common default by most twentieth-century U.S. businessmen. They have not troubled to see that consistent, proper restrictions were kept on government relative to business. Instead, some have sought government favors. Many have stood by and watched while government, under varied pressures, took on more powers and usurped property rights of other businessmen. A few even sought these ends.

Now, American communications leaders, in particular, have lost their own freedom of business action. Since the 1920's, when the government confiscated perma-

² The networks have already started to help finance a few new movies slated for *first runs on television*.

nently the property rights to airwaves (in the "public interest"), urged by men who should have known better,³ the mass communications field has become an ever-thickening jungle of intrigue and bureaucratic "pull." One *must* have the government on one's side — and off one's back — to gain business success in broadcasting.

The actions of exhibitors and commercial TV toward pay-TV are only understandable if we see their roles as fellow creators of a Frankenstein monster: expanding, manipulative governmental power. It has turned on them, and they do not know where it will strike next; they seek to win safety from the tyrant by feeding it victims other than themselves. Having sacrificed their own property rights — to the air waves and to integrated production and distribution of their product — they do not shrink at sacrificing the property rights of anyone else, especially a competitor for part of their lethargic market.

The twentieth-century United States has gained tremendous wealth and technological achievements, thanks primarily to the precedent-setting, arduous efforts of its politically free men of the nineteenth century who began

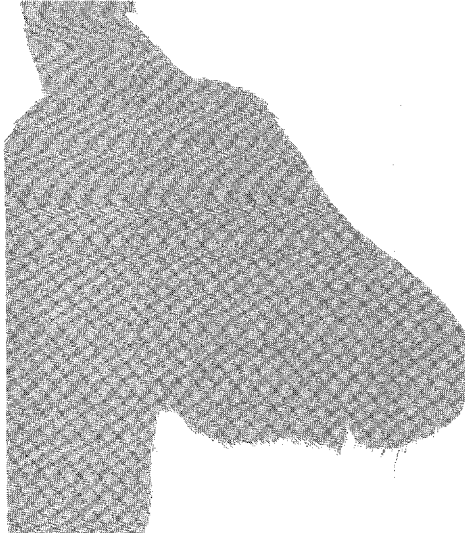
with their own property — often slight at first — and competed with other men like themselves in a market almost entirely free of governmental restrictions.

If the California theater owners and commercial TV can keep their competition outlawed, this will mean a regression to the medieval guild system. There, all innovators were imprisoned and old ways of doing things were forcefully enshrined for centuries, to everyone's loss. Poverty, ignorance, decadence, and serfdom were the result. (Do Californians want this?)

Under free-enterprise capitalism government must protect the individual's right to buy and sell as best he can, *not* guarantee him a captive market. Today's malicious stampede to manipulate government for one's own benefit at the direct expense of some other citizen or group or business enterprise must be halted. So must the evil of allowing anyone's property rights, and the derived rights like freedom of speech, to be voted away by the majority or stripped away by court decision.

If individual property and business initiative do not receive their just, legal protection, then all Americans risk losing present and future benefits from the riches that only free, independent men ever have produced — or ever will.

³ For a full discussion of these matters, see "The Property Status of the Airwaves," by Ayn Rand, in *The Objectivist Newsletter* of April 1964.



MARKET PRICE OF BURROS

AL BELLERUE

SEVERAL YEARS AGO, my wife and I purchased a string of four burros for our family. We built a stable and corral out of wood and assigned each of our daughters a duty-day to perform the required chores for the animals. The sale price of the burros was \$200 and the material for the stable cost \$100.

For a number of months we had great fun and the children willingly did their chores. They did not even object too much, at first,

Mr. Bellerue operates a cactus-growing business in the high desert area of Southern California. He was President of the Desert Electric Cooperative in Twentynine Palms, the members of which recently elected to sell the business to the Southern California Edison Company to avail themselves of the lower rates offered by private enterprise.

This article is reprinted by permission from the February 6 issue of *The (Santa Ana) Register*, a division of *Freedom Newspapers, Inc.*

to the forced hikes in the hot desert sun to fetch Daddy and the truck to tow a balking burro home.

We never ceased to marvel at how any one of the burros, in the midst of a twenty-mile-per-hour gallop, could spontaneously come to a dead stop. Unfortunately, none of the riders in our family could ever achieve this feat at the same time as the burro did. We were able to achieve the dead stop all right, but always at least twenty feet beyond the burro.

Needless to say, interest in burro-riding was waning; and it was a good thing, because our time and efforts were now being consumed hunting the critters. Nearly every morning we would

find they had eaten their way out of the corral. What an appetite they had for wood! We thought they might need more exercise and that a larger area to romp in might solve the problem; so we fenced in the entire fifteen acres with barbed wire. Our total investment was now well over \$600, and the price of feed was increasing every month.

Do you think those burros appreciated what we did for them? No siree! They spent every day on the family patio and their nights were spent trying to break into the house. The day after they ate the wild bird feed, wooden feeder box and all, we sold the entire lot to a local horse trader for \$100. Peace and tranquillity has returned to our Rancho. Even the horse trader is happy because he sold them the next day for a profit.

This brings me to the subject of market price and value. The value of those burros to me was something less than \$100 at the time of the sale. To be truthful, I might have paid someone to take

them. The value of the burros to the horse trader was more than \$100 or that amount for which he could sell them and still make a profit. Value, therefore, is completely subjective. Market price, however, was that figure mutually agreed upon, wherein we both could benefit from the transaction, based upon our own subjective values at opposite ends of the cushion of profit.

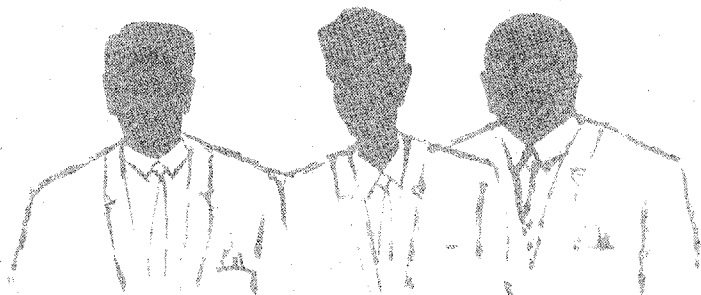
One may mistakenly think that I did not gain when I first purchased the burros. It must be remembered that their value to me at that time was higher than when I later sold them. In other words, at the time I purchased the burros, I wanted them more than I wanted the money I voluntarily paid for them. Therefore, I gained from the original purchase as well as from the sale, when I couldn't get rid of the ornery critters fast enough. The market price of burros, as well as of everything else, can only be determined by the buyer and the seller and their respective value judgments at the time of the transaction. ♦

IDEAS ON LIBERTY

Mutual Gain

SO LONG as the basic right of ownership is preserved, a contemplated trade is never a conflict; it is an attempted act of cooperation under which *both* parties, not merely one, stand to benefit.

F. A. HARPER, *A Just Price and Emergency Price Fixing*



WILL THE **Real** PRICE ADMINISTRATOR please stand up!

IRVING E. HOWARD

AMERICANS saw a display of naked arbitrary power in the recent roll-back of aluminum, copper, and later, steel prices in response to government threats or "persuasion." It brought a warning comment in *The Wall Street Journal* (January 5, 1966): "The structural steel price increase announced in the past few days threatens to usher in a new era of informal but intensive Presidential price control."

Government intervention in the pricing process is not new in American history. In fact, it has a long pedigree in antitrust legisla-

tion, as recounted by former Federal Trade Commissioner, Lowell Mason:

As an administrator of two antitrust laws diametrically opposed to each other, it was not difficult for me to accuse everybody at a trade convention with being some kind of a lawbreaker. Either they were all charging everyone the same prices, indicating a violation of the Sherman Act, or they were not charging everyone the same price, a circumstance indicating a violation of the Robinson-Patman Act.

Yet the purpose of the Sherman Antitrust Act was to protect competition and keep the market free. While the Act was being debated in the Senate in 1890, Senator

The Reverend Mr. Howard is assistant editor of *Christian Economics* and is working toward a doctoral degree in economics at New York University.

Hoar declared: "The great thing that this bill does, except affording a remedy, is to extend the common-law principles, which protected fair competition in trade in old times in England, to international and interstate commerce in the United States."

The legislators sincerely thought that they were enlarging freedom again in 1914 when they passed the Federal Trade Commission Act and the Clayton Act. The Federal Trade Commission became an investigative body of which Lowell Mason was an administrator. By forbidding discrimination in price between different purchasers of commodities, the Clayton Act introduced the contradiction to which Mr. Mason referred.

Cost-of-Production Theory of Pricing

In 1936, still bent on keeping the market free, the legislators passed the Robinson-Patman Act which, among other things, forbids price discrimination in the form of discounts, rebates, or advertising allowances greater than available to competitors. The drafters of this Act reasoned that prices are discriminatory if they are not matched by like differences in costs. This kind of thinking reaches back to Adam Smith, David Ricardo, and to the labor

theory of value. Is economic value determined by the cost of labor involved in manufacture? Economists exploded this notion a century ago, and the gist of their rebuttal is found in a simple example: "Pearls are not valuable because men dive for them, but men dive for them because they are valuable." The price of a good—its economic value—is measured by the satisfaction the economic good brings to the consumer.

For example, what of a theater that charges a lower price for a matinee than for the evening performance? It is the same show. The costs of producing it are practically the same. Is the theater guilty of price discrimination by charging a lower price in the afternoon? If differences in cost are to be the criterion, they are. If the satisfaction of the consumer (demand) is the criterion, they are not. The Robinson-Patman Act foundered upon this misunderstanding of the nature of economic value.

Moreover, the history of anti-trust legislation in America illustrates another principle emphasized by Dr. Ludwig von Mises—namely, that one government intervention inevitably leads to another, and that to another, until all freedom of movement is lost in a maze of government regulations.

Berle and Means

It was against such a background that Adolphe A. Berle and Gardner C. Means set forth their theory of "administered prices." Means' book, *Pricing Power and the Public Interest. A Study Based on Steel*,¹ contains the most complete statement of the theory.

By an "administered price" these economists mean a price set by administrative action, rather than one resulting from market forces, and held constant over a period of time. They contend that large corporations in oligopolistic markets (few sellers and many buyers) have sufficient control of the market to do this.

At first, Dr. Means thought he had found the cause of the Great Depression. Large corporations, he argued, held their prices firm and varied their production, laying off men, creating unemployment, and thus worsening the depression.

In 1939, Dr. Jules Backman published "Price Flexibility and Changes in Production"² in which he said: "Not so!" He concluded that he could find no clear-cut re-

lationship between specific commodity prices and production changes.

In 1942, Professor Alfred C. Neal joined Dr. Jules Backman in rejecting Means' thesis. In his study, *Industrial Concentration and Price Flexibility*, he commented:

... one must be excused for wondering why so much ink has been spilled in debating these issues when there has been so little theoretical presumption in favor of the conclusions under dispute. There is, perhaps, much truth in Du Brul's remark that if Mr. Means' thesis had not been useful as a tool of politics, it would have died an early death.³

Political value it has had! The Berle-Means theory resulted in the Kefauver Committee making a three-year study of steel, automobile, and drug prices beginning in 1957.

Out of the hearings of this Committee, Dr. Means drew much material for his book, *Pricing Power and the Public Interest*. In this book, published in 1962, Dr. Means reversed his earlier theory and argued that administered prices cause an inflation. In fact, he coined the phrase, "administered inflation," to describe the inflation in 1955-1958. Professor

¹ Means, Gardner C., *Pricing Power and the Public Interest. A Study Based on Steel* (New York: Harper and Brothers, 1962).

² Backman, Jules, "Price Flexibility and Changes in Production," *The Conference Board Bulletin*, National Industrial Conference Board, New York, February 20, 1939, pp. 45, 51.

³ Neal, Alfred C., *Industrial Concentration and Price Inflexibility*, American Council on Public Affairs, 1942, p. 37.

Gottfried Haberler has thoroughly discredited Dr. Means' "administered inflation" in his book, *Inflation—Its Causes and Cures*,⁴ but the mere fact that "administered prices" were supposed to have caused a deflation, and then also to have caused an inflation, should have been enough to raise a suspicion regarding the inherent consistence of Means' thesis.

Price and Wage Guideposts

However, the theory had political value, and politicians were soon to make the most of it. In 1962, the *Economic Report to the President* suggested wage and price guideposts as a ceiling for increases in wages and prices. In adopting this guidepost concept, the Council of Economic Advisers were tacitly admitting that they had accepted the theory that prices and wages are administered and are not the result of market forces. Consequently, the conclusion was soon reached that, since the prices of commodities manufactured by large corporations are determined by management rather than by the market, the government should control the pricing policy. Wages have remained strangely immune to the application of the guidepost standard.

⁴ Haberler, Gottfried, *Inflation. Its Causes and Cures* (Washington, D. C.: American Enterprise Association, 1960), p. 40-45.

The recent application of the guidepost to aluminum, copper, and steel prices has ignored the fact that the philosophy behind the guidepost concept, the business-administered price theory, has never been proved. In fact, evidence has been accumulating that the relative inflexibility of the prices under discussion has been the result of inflexible wage rates which *have been administered* by national labor unions, and also stems from other inflexibilities introduced into the economy by government fixed rates, such as freight rates, public utility rates, postal rates, interest rates — to say nothing of agricultural support prices and a host of other government controlled prices. These are "administered prices" indeed!

The so-called "administered prices" of private industry are very sensitive to foreign competition. Both steel and automobile prices, favorite whipping boys of the Kefauver Committee, have been driven down by foreign competition since this debate started. Moreover, metals all face competition from substitute materials. While prices in large corporations cannot be determined by an auction like securities on the stock exchange, nevertheless, management cannot disregard all the different kinds of competition its

product must face when setting its asking prices.

There is much more to competition than Berle and Means and their followers are willing to admit. Not only is there competition between firms within an industry, and companies within a family, such as the General Motors family, but there is competition between very different industries. There is also competition from all kinds of substitutes. There is nonprice competition in quality and services. In short, the real world is much more competitive than it is painted by some economists.

The Magical "3.2"

Not only is the "administered price" theory open to question, but the guidepost itself is of doubtful value as a measure of prices. The guidepost is the ratio between total output and total man-hour input. It was devised by economists interested in national economic growth as a rough measure of productivity. Politicians have applied it to prices and wages.

In 1965, the government arrived at 3.2 per cent as its guidepost. Some statisticians thought it should be 3.4 per cent and others chose another percentage, but is any percentage trustworthy as a measure of prices and wages?

Total output and total man-hour input are only rough estimates and are not precise enough to determine the specific price of anything. Moreover, at best, the guidepost ratio is a five-year moving average! How many individuals or companies are average? The price and wage increases of some should be above and others below that five year average!

Nevertheless, the guidepost ratio was the yardstick the government used in its recent assault upon aluminum, copper, and steel. A price resulting from such dictation, is an "administered price."

The guideposts are supposed to be "voluntary" standards, but as Mr. George Champion, chairman of the Chase Manhattan Bank, has observed, "Always in the background is the threat that failure to comply voluntarily with the guidelines would bring measures applied, for the most part, without debate in Congress or legal appeal in the courts."

The Limits of Tolerance

The most disappointing aspect of this new development between government and business has been the sheeplike acceptance of government domination by the business community.

"This is no time to be timid of tone or fearful of economic reprisal," Mr. Champion warned. "If

we have men afraid of standing up to the government, then we have the strongest indictment of 'big government' that could ever be imagined. When that happens, economic freedom in our country will be dead."

The Berle-Means thesis that large corporations fix inflexible

prices has been exploded by competent economists. Nevertheless, bureaucrats have used the theory to justify government administered prices. Now we see where the "administered price" theorists were going! Now the real price administrator has stood up and has been recognized! ♦

Of Birds and Men

To express a faith in freedom is to invite warnings that men and women have behaved badly in the past and might do worse in the future if more free to do so. The study of mankind under the varying degrees and conditions of human bondage that have prevailed throughout history indeed tends to destroy one's faith in man. But we do not know, nor can we predict from man's sordid past, his potentiality if he were free.

For further insight into human nature, investigators often have observed and studied the behavior of animals. One such study recently was reported in the German weekly, *Der Spiegel* (No. 40, 1965).

WHAT the investigator saw reminded him of a list of cases on a court calendar: adultery, alienation of affections, bigamy, rape, incest, assault upon neighbors and within families.

These crimes were being committed, not in the slum district of a great city, but along a hedge of lilacs on the grounds of the Wilhelminenberg Biological Station in Vienna. And the perpetrators

of these misbehaviors were male and female specimens of a group of cattle egrets, a bird about half the size of the stork, imported from Tunisia by the famed animal psychologist, Professor Otto Koenig. His hope in this experiment was to discover what might be expected of human beings condemned to a sort of super-welfare-state, so fully mechanized that men need spend hardly any energy to subsist, protected by the state against sickness and old age, freed from work and care for a life of leisure.

Similarity to Human Community

From earlier observations under natural conditions along the grassy shores of Neusiedler Lake near Vienna, Koenig had found that certain types of herons which breed and nest in colonies develop compact social structures similar to the human family, tribe, and community. This is why he chose the colony of cattle egrets for his model welfare state, observing them over a period of six years in a large enclosure outside the window of his study, providing them with every necessity for life and comfort: food, water, bathing facilities, and nesting materials.

At the 1965 annual meeting of the German Ornithological Society in Constance, Professor Koenig first reported the results of his

prolonged investigation of cattle egret response to the guaranteed life, stressing two points:

1. The social order of the colony completely collapsed.

2. The sexual activity of the feathered creatures became abnormal.

Within the enclosure, food always was at hand in abundance, so there was no need to go off in search of it. All members of the colony remained continually in sight of one another, literally pressed together. More frequently than under normal conditions there was strife, often bitter fighting. And as the fighting increased, so did the sexual activity. While a male was feeding, his mate might be raped by a neighbor, leaving her young in the nest to be molested by others. During the breeding season, the hackles of the females were torn and bloodied by the claws of the sex-crazed males.

Koenig also noted a sexual jealousy not found among wild egrets or herons. In their natural state, other herons of a colony are unconcerned about the home life of a couple; but in the Viennese cage, the mating act often evoked interference from other males.

Three or four couples of the experimental egrets frequently banded together. Nest-building among egrets usually is initiated by the male, who selects the site

and then lures his companion to it. But in Koenig's enclosure, two or three females often would answer the call to the nest; nor was it uncommon to find a sister or daughter of the male in his harem. Such polygamy became critical during the brooding period, with other females sitting atop the chief brooder. Now and again, Koenig saw egrets piled three deep on the eggs. Such congestion disturbed the normal pattern of parents taking turns sitting, and many of the eggs were either broken or kicked out of the nest. Thus, the negligence induced by welfarism resulted in declining numbers of healthy young egrets in the colony.

The rearing of the young birds also became a problem. In wild colonies, as soon as the young herons are able to leave the nest they gather among the reeds for games of "catch" by which they learn to capture insects. So strong is their urge for self-reliance that

the fledglings often fail to return home and parents must seek them out to feed them.

In the Viennese experimental cage, however, the young egrets were simply beggars, incessantly pestering their ever-present elders for food. And apparently in search of quiet, the parents obliged, stuffing the young ones not only to excess, but far beyond the time when they should have been able to care for themselves. The younger birds would be found still begging, even after they had offspring of their own — the grandparents caring for them all.

Because of similarities between these egrets and other bipeds, Professor Koenig believes that what happened to the birds in his yard under super-welfare-state conditions might similarly affect human beings exposed to effortless material abundance without need or incentive for self-responsibility. ♦

IDEAS ON LIBERTY

Against Nature

"IN MOUNT RAINIER NATIONAL PARK, Washington, a ranger cautions visitors against feeding the animals. The ranger explains that deer grow accustomed to visitors' handouts and lose ability to fend for themselves. Bears, he says, come to believe that free food Chipmunks and squirrels congregate where handouts are supplied, is their due — and become grouchy and violent if they don't get it. and thus upset the balance of nature."

From an editorial in *The Richmond News Leader*



OF THE ROAD

JIMMY HOFFA is the current devil among labor leaders. But a close reading of *Hoffa and the Teamsters: a Study of Union Power*, by Ralph and Estelle James (Van Nostrand, \$6.95), leaves you wondering whether he is any worse or better than other professional brokers of the workingman's "interests." The Jameses make you feel that Hoffa differs from others in the guild mainly by his contempt for public relations. He has been ruthless in his drive for power, and he uses his pension fund to build influence, and he is cynical about the law (which he regards as something to be manipulated). But if you accept his premise that society is a battleground of warring interests, everything that he does falls logically into place. His end, which is to get good contracts for his truckers, is the excuse for the means, which are elaborated in terms of Chinese-style "fight,

fight, talk, talk" military campaigning.

The genesis of this book about Hoffa is curious, and explains a good deal about Jimmy's "take it or leave it" character. When Dr. James was teaching industrial relations at the Massachusetts Institute of Technology in 1961, he induced Hoffa to give a talk to his students. Hoffa accepted on condition that he might quit after getting two "unintelligent" questions in a row. He spoke for three hours, complaining that government investigators, reporters, and academicians do not depict how the world really operates. Finally, after defending certain notorious figures involved in corruption cases, he challenged Dr. James to travel with him for six months, disguised as his assistant, to learn the "truth" about unionism.

Dr. James took him up on the offer, insisting, however, that he pay his own travel bills. As he and

his wife dug deeper into the Teamsters' activities, Dr. James constantly expected Hoffa to call the deal off. But, possibly because he felt he had less to fear from two objective academicians than he had to fear from investigator Bobby Kennedy (whom he calls the "little monster"), Hoffa let the Jameses carry their project through. Hoffa registered some personal objections to the Jameses' characterization of him as "an extremely competent, complex, and ambiguous individual, subject to rapidly changing moods and substantial self-deception." But, other than to say "you make me look like a bum," he did nothing to get them to change a word in the manuscript.

Exploiting the Situation

As a matter of fact, it is not Hoffa who "looks like a bum" in this book, it is the American people. The truckers, whether they are local carters or long-distance delivery men, travel on roads that are the property of federal, state, and municipal governments, and "society," as the owner of the highways, could presumably make its own rules for road use. But the "owner," in this case, has stood aside. The "rules of the road" don't insist on an open road for anybody.

In his campaign to control the

use of the roads insofar as commercial haulage is concerned, Hoffa has been a great military strategist. Though he cut his eye teeth in the labor wars of Detroit, Hoffa really went to school under Farrell Dobbs and the three Dunne brothers of Minneapolis. Dobbs and the Dunne brothers were Trotskyite Marxists who thought of assailing the capitalist system at its crucial bottlenecks. The road system of America, to Dobbs and the Dunes, was of jugular importance. Anyone who could impose his will on the highways could obviously dictate his terms to society as a whole.

But where Dobbs and the Dunne brothers were ideologues, Jimmy Hoffa is a pragmatist. His idea is not to overthrow capitalism, but to milk it for all that it will yield for the teamsters. Instead of being a revolutionary, he is a twentieth century robber baron, reaching for control of the "narrows" in the interests of his own band of followers.

Coming and Going

Crucial to Hoffa's strategy is his notion of "leapfrogging." By organizing over-the-road truckers, he can dictate what goes into the towns to be picked up by local carters. Or, by organizing at the local end, he can impose his terms on long-distance carriers who need

access to the town. There is "lev-
erage" in all this, for the right to
"interline"—i.e., to transfer cargo
from one carrier to another—is
essential to most business survival.
All you have to do is to cut the
cartage connections at a single
point to get the whole circuit un-
der your control.

Having picked up the "leapfrog-
ing" concept from Farrell Dobbs's
first operations in the Middle
West, Hoffa has applied it on a na-
tional scale. Nobody can stand out
against it. If the businessmen of
Omaha, say, resist dealing with
Hoffa, they may wake up to dis-
cover that shipments into Ne-
braska have been cut off at Denver
and Cheyenne, and that nothing is
coming up from a strike-bound
Kansas City.

Open-end Grievances

Since local unions are dependent
on handling "interlined" goods
from the outside world, Hoffa has
the key to total union discipline
in his hand. He has used the key
to "level up" wages in depressed
trucking areas, as in Philadelphia
and Los Angeles, and to restrain
union exuberance in the high-
wage San Francisco Bay region to
the end of making his deals in
Oregon and Idaho look better.
Much of Hoffa's power comes from
his detailed economic knowledge
of what employers will be able to

bear. ("It's a lousy contract," he
said in one instance, "but if we
take any more he'll go broke.")
This general concern with profita-
bility has led to charges of "sell-
ing out to management." But
Hoffa lets his critics talk.

The laws prohibiting secondary
boycotts have not restrained
Hoffa's application of "leapfrog-
ing" techniques. By insisting on
his own patented "open-end griev-
ance procedures," Hoffa can al-
ways threaten a strike wherever
one is necessary in order to affect
a decision elsewhere. The "connec-
tion" between a strike in Okla-
homa City over the application of
freight interchange rules and a
campaign to adjust wages some-
where else may not be admitted,
but Hoffa works his "coincidences"
with supreme contempt for gov-
ernment lawyers. If there is al-
ways an "open-end grievance" to
take up, there can be nothing but
a series of "legal primary dis-
putes."

The Jameses make it plain that
Hoffa's organizing and bargaining
strength derive from a canny
man's ability to use the existing
social codes to his own advantage.
In doing this he does not differ
from a Walter Reuther, or a
George Meany, or a Mike Quill.
The "law" may be circumvented,
but if courts won't issue injunc-
tions and governors won't call out

national guards, then there is little use in putting new laws on the books.

Changing the Climate

But what are we to do about monopolistic union power? What if Jimmy Hoffa were to tie up the country? Hoffa himself derides the possibility of a "national strike." He has studied the transit systems of the United States, and has it figured out that he could substantially halt trucking all across the country by striking "six strategic terminal cities." The Jameses say that in case of a "six city" terminal strike, the main body of Teamsters, thrown out of work as "a consequence of interrupted interlining, would collect unemployment compensation from the government instead of draining strike benefits from the IBT treasury." Thus the citizens of a nation would find legality used against them. They would be feeding the union that was throttling their production.

The Jameses say that "Hoffa is unlikely to test this plan." But this is just another way of saying that Hoffa will get what he wants anyway. Even if he goes to jail it would hardly make any difference, for Hoffa is the product of a way of thinking about unions, and someone would quickly move up to take his place. ♦

► **PUBLIC REGULATION OF THE RELIGIOUS USE OF LAND** by James E. Curry (Charlottesville, Virginia: The Mitchie Company, 1964), 429 pp. \$12.50.

► **CHURCH WEALTH AND BUSINESS INCOME** by Martin A. Larson (New York: Philosophical Library, Inc., 1965), 120 pp. \$3.95.

Reviewed by Edmund A. Opitz

NEW CHURCH construction is going on all over this land, at the rate of about a billion dollar's worth a year. Every one of these new churches needs a suitable site for its buildings, parking lot, and grounds, so church committees go into the real estate market and dicker with potential sellers of land for the location of their choice. This is as it should be. But then they bump into the local zoning board, an agency operating in just about every major community in the nation except Houston. The church building committee may have completed arrangements with the architect, the bankers, the builder, the real estate men, and then be told by the zoning board backed by the authority of the police power: "You can't build your church here!" At which point the famed partition between church and state erodes a bit.

This is where Mr. Curry's unique book comes in. The author

is a veteran of more than thirty years of law practice, specializing in the kind of cases treated in this book. Actually, this is several volumes in one, each aimed at a different category of reader. Serious students of the church-state relationships are familiar with political impairments of religious liberty, but lack knowledge of the kind of impairments that go on at the level of mere zoning. This book's careful legal analysis of one hundred court cases involving churches with location problems makes it an indispensable text for the lawyer, and a church group about to build might save itself a lot of grief by consulting this book.

Zoned for Worship

Those concerned with the problem of zoning as such will find much meat here. And those who raise such philosophical questions as What is religion? and What is the Church? will note well the impropriety of dumping such questions into the lap of the courts. No branch of government, however well disposed, is equipped in the nature of the case, to tackle questions of this order. Small wonder, then, that the results are so generally unsatisfactory! We have reached the critical point in at least one state where the Court of Appeals has declared, in effect, that a community may actually

ban churches by refusing a congregation the right to buy land and build! Simple religious or antireligious prejudice is always with us, and we can take it in stride — unless it joins forces with the police power. But this is something different. Zealots willing to invoke nonreligious means to further their one true faith were once the problem; but now the threat arises from the mindless, noiseless, impersonal processes of zoning laws, or appears in the wake of "urban renewal."

Raise our sights and it becomes evident that the denial of religious liberty by means of a zoning ordinance is but one instance of a growing disposition to turn all sorts of social problems over to government. Government is uniquely an agency for redressing injury. Confine it to this difficult job and the peaceful relationships of men in society are no longer its concern; it merely acts to deter and punish acts of aggression, and men are free to administer their private affairs. The public sector is small and well defined. In a society so organized, power is dispersed and limited; there is no one big lever by which society is moved, and so the opportunities are minimized for evil men to seize control and do a lot of harm. Such an attitude toward government — characteristic of the old

Whig-Classical Liberal tradition — cannot but appear mean and niggardly among a people afflicted with ideas of grandeur.

The Man in Charge

Modern *hubris* dictates that the political problem be conceived as the task of concentrating power in society into one gigantic lever capable of getting the whole show into operation, then putting virtuous men in charge in order to achieve great good. Once such a political scheme gets going the people will be permitted one last decision; they will be allowed to decide who will, from now on, be given power to make their decisions for them! This is Tocqueville's "democratic despotism," and it is a measure of our decline that we insist on calling it "freedom."

The tumult and the shouting about Church and State goes on at the level of Bible reading and prayers in the classroom. Generation after generation of Americans violated the First Amendment, we are to believe, but virtually no one noticed it — until now. Then, all of a sudden, and with the help of some eminent jurists, we were made aware that the wall was not in place; and we joined forces to prop it back by banning religious exercises in the tax-supported schools.

But while our attention is en-

gaged at this largely theoretical level we have been backed into a much more serious problem. Few, if any, local zoning boards are animated by antireligious feelings; they simply accept the commonly held belief that most folks don't know how to use their property or plan their lives, and therefore somebody else should tell them. As the cartoon character, Peanuts, says: "The world is full of people who long to act in an advisory capacity." Better yet, in a managerial capacity.

The First Amendment to the Constitution places a restriction on Congress. Congress, it says, shall take no steps leading to an official religion. No national church may be established here, nor is any man to be impeded in the exercise of his religious preferences. Heresy is not a crime. Jefferson's phrase, "wall of separation," came later, and although it is repeated on every side today, it does not accurately reflect American mores or practices, nor the mind of the First Congress. These men, after passing the First Amendment, actually voted money to send four missionaries to the Indians; for they believed that sound morals are necessary for the civil order, and that religious instruction is the indispensable basis for morality. It was in this context that religious, educational,

and charitable institutions were granted certain exemptions from taxation.

Taxation then was a means of financing the operations of government; now, taxation is largely an instrument for accomplishing social change. Political exactions employed for this purpose are necessarily unfair, and in order for the governing class to secure the compliance of the educational and religious communities it must introduce some "sweeteners" in the form of exemptions. At the same time, this iniquitous tax structure will provoke other sectors of society to invent all sorts of ingenious schemes for living with an impossible situation. If the present system of taxation were applied rigorously across the boards to all men and organizations alike it would not last a week, and if anyone had thought it would be so applied it never would have been foisted upon us in the first place!

The Growing Scope and Problem of Tax Exemption

Mr. Larson, author of the second book under review, does not see it this way at all, but rather regards the various loopholes in the tax laws as beating government out of what rightfully belongs to it. Nevertheless, he has brought together a host of fascinating and disquieting statistics,

nearly all from unimpeachable sources.

Mr. Larson focuses on four cities, Buffalo, Baltimore, Washington and Denver, which collectively typify America, and then he argues convincingly that he has valid grounds for extrapolating to arrive at a reliable estimate for the country at large. The figures are well nigh incredible, even as pertains to the market value of the plant owned by religious, educational, and charitable institutions used for those particular purposes; but these enterprises also own and operate various businesses, and they have enormous holdings of stocks and bonds. These chunks of real estate and other property, and the income deriving from them, are largely tax exempt, and percentage-wise they increase year by year. During the past generation in Buffalo, for instance, the ratio of exempt to taxable real estate rose from 19 per cent to 44 per cent; and more than half of this exempt property is held by churches and other religious institutions. The picture in every part of the country is much the same, but there's no way of straightening out this mess short of confining government within its proper boundaries so that freedom might perform its remedial work in the economic, educational, and religious sectors of society. ♦

► **SCIENTIFIC MAN VERSUS POWER POLITICS** by Hans J. Morgenthau (Chicago: Phoenix Books, 1965), 245 pp. \$1.95 (paper).

Reviewed by Robert M. Thornton

THE MEN who had most to do with launching this republic had no illusions about human nature. They viewed man as a flawed creature, and hence not to be trusted with power over his fellows; and they sensed the tragic dimension of human life. As John Jay put it in one of his Federalist papers: "I do not expect that mankind will, before the millennium, be what they ought to be; and therefore, in my opinion, every political theory which does not regard them *as being what they are*, will prove abortive."

This realistic view of human nature, dominant in our tradition since the days of the Greeks, was already giving way to another outlook even as Jay wrote. The optimistic rationalism of the Enlightenment equated evil with ignorance. It held out the promise that a perfect human society was attainable just as soon as the boundaries of knowledge were pushed back to the edge of things — in a generation or two at most.

Professor Morgenthau criticizes this philosophy in no uncertain terms: "Rationalism misunder-

stands the nature of the world, and the nature of reason itself. It sees the world dominated by reason throughout, an independent and self-sufficient force which cannot fail, sooner or later, to eliminate the still remaining vestiges of unreason. Evil, then, is a mere negative quality, the absence of something whose presence would be good. It can be conceived only as lack of reason and is incapable of positive determination based upon its own intrinsic qualities.

"This philosophical and ethical monism, which is so characteristic of the rationalistic mode of thought, is a deviation from the tradition of Western thought. In this tradition God is challenged by the devil, who is conceived as a permanent and necessary element in the order of the world. The sinfulness of man is likewise conceived, from Duns Scotus and Thomas Aquinas to Luther, not as an accidental disturbance of the order of the world sure to be overcome by a gradual development toward the good, but as an inescapable necessity which gives meaning to the existence of man and which only an act of grace or salvation in another world is able to overcome."

Lacking this sober view of human nature, people think in exuberant terms of Man taking charge of his destiny — which

means in practice that some men will ride herd on their fellows. Politics will be regarded as a science of control, rather than an art. The social engineer, coming to the fore, will try to impose a rational order on society, and any problems which arise will be submitted to "fact-finders," "neutral parties," or other "experts." People must never be allowed to work out and resolve their problems in freedom and by their own devices. Shepherded by those who know best, they will be protected from the consequences of their own folly.

Some people are wiser than the rest of us, and many people are foolish indeed; but none are so foolish as those who think themselves wise enough to assume control of human affairs. ♦

► **BURKE AND THE NATURE OF POLITICS** by Carl B. Cone (Lexington: University of Kentucky Press, Vol. I, 1957, 415 pp.; Vol. II, 1964, 527 pp.), \$15.00 the set.

Reviewed by Edmund A. Opitz

EDMUND BURKE may have suffered from misinterpretation during his own lifetime as well as from commentators since his death, but no one can say he has been neglected. Controversy swirled about him while he was alive, and has not ceased. The note on which he end-

ed his public career, his fierce antagonism to the revolution in France, still sounds above the tumult of modern politics. For there is a sense in which the French Revolution is the fountain-head of the various social movements which today claim men's allegiance and divide their loyalties.

The collectivist ideology appears in several guises today, but its parentage may be traced to the ideas unleashed in eighteenth century France. Likewise, there are several varieties of anticollectivism, but each owes something to Burke's response to the challenge to European civilization posed by the *Philosophes*. Stated differently, it may be said that there are, broadly speaking, two conflicting philosophies of man and social organization; today's neoliberalism, with its offshoots and extensions, and conservatism-libertarianism similarly developed. The former stems directly from the French Revolution; the latter's point of departure is Burke's mighty answer to that revolution.

Differences Ignored

Neoliberalism overlooks the "accidents" that divide human beings into male and female, Englishmen and Frenchmen, Moslem and Hindu, and the like; it reduces every unique person to a mere unit

of humanity. Its advanced thinkers, struck by the evils which plague mankind and regarding society as a mere artifact, draw up a blueprint for a form of social organization in which every human unit has its place and awaits only the political command which will cause it to function properly in lock step with every other unit. There will, of course, be recalcitrants who obstruct the march toward utopia, so the Plan includes an active enforcement agency to take care of such people! But one day, when all the lingering effects of ancient class antagonisms are beaten and bred out of the citizenry, Man will have his utopia!

The opponent of this nightmare, whatever he chooses to call the banner he serves under, takes account of the variety and complexity of human beings, regarding them as imperfect and imperfectible in this life. Of course, there are evils in human affairs and, of course, we should work to diminish them by restoring justice. But the human situation at best will be only tolerable, never perfect.

Samuel Johnson says in the Preface to his *English Dictionary* that it "was written with little assistance of the learned, and without any patronage of the great; not in the soft obscurities of retirement, or under the shelter of academic bowers, but amidst

inconvenience and distraction, in sickness and in sorrow."

His distinguished contemporary and friend, Edmund Burke, made his noble contributions to political philosophy under similar conditions. Burke was no cloistered thinker, but quite the opposite; his philosophy was hammered out to meet the exigencies of an active and abrasive political career. It dealt with real people and not with bloodless abstractions; with Englishmen pursuing their ancestral ways amid institutions half as old as time, not with Man living up on cloud nine—the target of the *Philosophes* across the channel.

Something for Everyone

Burke in his natural political habitat is the subject matter of Professor Cone's two massive volumes. They are obviously the fruits of prodigious research, and are addressed as much to the professional historian of the period as to the interested amateur. They are detailed but readable, and the author respects Mr. Burke's privacy; only his public career is dealt with, and we learn as much as anyone needs to know about that career.

Learning *about* a public figure is all we want to know of most of them, but this is not true of Edmund Burke, a master of rhet-

oric as well as one of the great political philosophers. Whether he is read as literature, or philosophy, or for the role he played in the history of his nation and ours, matters not at all so long as he is read. Go to Dr. Cone for the background, then pick up one or more of the several anthologies of Burke's writings now in print.

Start with the fat Anchor paperback of selections edited by Peter Stanlis, well remembered for his book, *Burke and the Natural Law*. Or, if you wish to add a handsome volume from Knopf to your library shelf, look up the large selection of Burke's writings skillfully edited by Hoffman and Levack. These will do for a starter. ♦

IDEAS ON LIBERTY

Pioneers

CIVILIZATION PROGRESSES at about the rate at which mankind abandons superstition in favor of thinking.

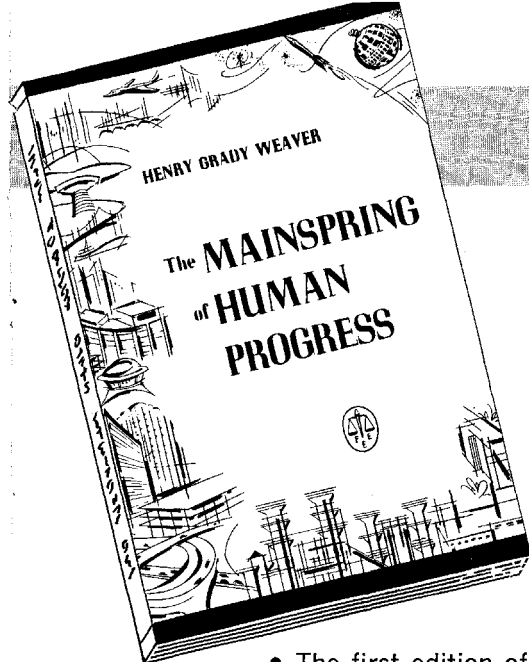
It should follow that the greatest benefactors of mankind are those who teach others to abandon the blind fears of superstition and to seek natural causes of natural phenomena.

When men realize that they are dealing with natural and not supernatural causes, they bestir themselves to improve their environment.

As superstition is pushed back, human thinking and achievement get their chance. So long as the ocean was thought to be a fringe of black horrors around the land, men clung to the shore and let superstition have its way.

When Columbus exploded the superstition and discovered that the ocean was just more water extending to more land, the men of the Old World became explorers, built ships, and settled a new hemisphere.

WILLIAM FEATHER, from the *William Feather Magazine*, January 1966



NOW AVAILABLE

in a new, attractive,
low-priced paperback:

Single copy	\$.95
3 copies	2.00
10 copies	6.00
100 copies	45.00

Also available in
standard clothbound volume, \$2.50

- The first edition of MAINSPRING (279 pp., indexed) was published in 1947. Since Mr. Weaver's passing, this great book has been the property of FEE. Previous to this new paperback edition, 350,000 copies have been printed.

One large company's circulating library for employees required 150 volumes to meet the demand.

Based on FEE's experience, MAINSPRING tops all books as a starter for any aspiring student of liberty. Easy reading — indeed, exciting — the beginner becomes so interested in freedom that he can hardly help pursuing the subject further.

FEE's recommendation: Keep a good supply of the paperbacks on hand to present to any individual who shows a spark of interest in freedom.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

THE *Freeman*



THEY NEVER GET ALL THEY WANT

■ The reactions of people in some of the foreign nations who have been enriched by our foreign-aid gifts are like the house-party guest who was having a good time. "Oh, sure," he replied. "Fine food. I have a swell room, the host and hostess are marvelous, weather is great, and the entertainment is all anyone could ask for. Actually, there's only one thing."

"One thing you don't like?" asked his fellow guest. "And what might that be?"

"Probably I shouldn't even mention it, but to be perfectly frank with you — they're not giving me any spending money."

From THE CURTIS COURIER (February 1966) edited by Thomas Dreier

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE Freeman

IDEAS ON LIBERTY

MAY 1966

Erosion of the Mind	Harold O. J. Brown	3
Freedom Through Education	Robert K. Newell	11
"The State Swelled and the People Shrank"	William Henry Chamberlin	15
Observations on the Russian Reform Movement	Ludwig von Mises	23
Insurance Problems	Paul L. Poirot	30
The Flight from Reality: 20. Meliorist Economics	Clarence B. Carson	33
Two Philosophies of Freedom	Kenneth B. Sollitt	48
"Am I My Brother's Keeper?"	Herbert S. Bird	54
The Principle of Political Polarity	Daniel K. Stewart	57
Books:		
"Education and the State"	John Chamberlain	61



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



ADAM SMITH vs. KARL MARX

by Joe Crail, President of Coast Federal Savings

A New, FREE Offer

Are the Capitalism and Socialism of today what Smith and Marx had in mind? Read what President Joe Crail says about the men, the systems and his "new prophecy a la Marx."

This important new look at the world's state of affairs is offered free of charge by Coast Federal Savings as part of a continuing program.



Your savings earn 4.97% when held one year at current rate of 4.85%, paid semi-annually at Coast Federal.

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

COAST FEDERAL SAVINGS & LOAN ASSOCIATION

Department FM, 9th & Hill Sts., Los Angeles, California 90014

☐ Please send me a FREE copy of President Crail's "Adam Smith vs. Karl Marx" speech.

NAME(S) _____
(please print)

☐ I enclose my check (or money order) for \$ _____
Please open a Coast Federal Savings account

STREET _____

☐ Individual ☐ Joint

in the name(s) of CITY _____ STATE _____

IN THIS ISSUE

- ✓ The new morality of relativism and conformity tends to destroy man's freedom and capacity for intelligent choice and action. p. 3
- ✓ And, until the methods and tools of education are retrieved from collective control, the authoritarian trend may be expected to continue. p. 11
- ✓ William Henry Chamberlin finds the philosophy of the negative income tax contradicting the view that a man grows by overcoming obstacles. p. 15
- ✓ Doctor Mises questions the sincerity of the current Russian moves toward capitalism, on grounds that prices and profits are effective guides only if derived from strictly voluntary exchanges. p. 23
- ✓ If one believes in compulsory Social Security, he cannot consistently believe in life insurance—and vice versa. p. 30
- ✓ Misconceptions about the nature of monopoly, and its causes and cures, account for many of the modern reforms attempted in economic affairs, believes Professor Carson. p. 33
- ✓ Whether man is to be free for decision-making, rather than **from** decision-making, is the crucial issue examined here by Dr. Sollitt. p. 48
- ✓ And, in much the same vein, the Reverend Mr. Bird re-examines the old question: "Am I My Brother's Keeper?" p. 54
- ✓ "The Principle of Political Polarity" works best when all the choices are known by the voters. p. 57
- ✓ And this issue closes, as it began, on the matter of **Education and the State**, with John Chamberlain's review of the recent book by E. G. West. p. 61

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

THE *Freeman*

MAY 1966

Vol. 16, No. 5

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

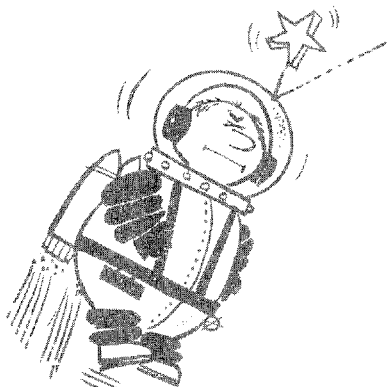
Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Flight from Reality."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.



HAROLD O. J. BROWN

EROSION OF THE MIND

"THE QUESTION," writes Oxford philosopher, A. J. Ayer, "how a man ought to live is one to which there is no authoritative answer. It has to be decided by each man for himself." To this, Britain's sharp polemicist, Sir Arnold Lunn, makes the comment, "And if Himmler decides that his way of life involves massacring millions of Jews in gas chambers, there is no criterion by which we pronounce this way of life to be inferior to that of St. Francis."¹

We are all familiar with the way in which the monolithic Soviet system exercises thought control — the February sentencing of writers Sinyavsky and Daniel to a total of twelve years' hard labor is the most recent example. We are less aware of the fact that in

our own Western civilization there is also a growing monolithic thought control, not enforced by a totalitarian dictatorship, nor involving jail sentences, but gradually becoming almost as pervasive, and ultimately as destructive of freedom of thought. A. J. Ayer's contention, which sounds harmless enough, even commendable and in the good old American tradition of independent initiative ("to be decided by each man for himself"), is a good example of a stage in the process by which we, too, are losing freedom of the mind.

If we ever reach the point which Lunn foresees, when we can no longer distinguish between Heinrich Himmler and St. Francis of Assisi, then legal freedom of thought will mean nothing, because we will have lost the ability to think. In such a situation a constitutional guarantee will be as irrelevant as freedom of the seas for a nation without ships.

¹ Ayer's statement and Lunn's comment in Sir Arnold Lunn, *The Revolt Against Reason* (London: Eyre and Spottiswoode, 1950), p. 221.

Mr. Brown, a doctoral candidate at Harvard University, is spending this year in Vienna.

Mental Equipment

Freedom of thought is not guaranteed by the mere absence of legal sanctions against it. It demands a certain amount of mental equipment, which cannot be legislated, but which must be provided by education — both by education in the narrow sense of that formally imparted in schools, and in the larger sense of the experience of living with people and institutions in a society. There is no immediate danger of governmental thought control in Western countries, but we in the United States, and elsewhere in the West, are nonetheless approaching a critical stage in the battle for the mind.

The famous German physicist, Werner Heisenberg, went through a rather thorough grounding in classical languages. Far from considering this a waste of time for his career as a scientist, Heisenberg has written that he considers it most valuable. Having to deal with firm and unchanging realities, such as Latin declensions, sharpened his wits and gave him the mental equipment and discipline so necessary to competent scientific research. Without the mental equipment provided and improved by the encounter with unyielding facts, Heisenberg's later accomplishments would have been unthinkable. In the moral and intellectual sphere, in which

freedom of thought and expression is to operate, the necessary mental equipment includes a clarity and toughness of thought which in turn depends on recognizing that there is such a thing as truth and that there are values which are absolute.

Few people would like to see themselves in the role of the Roman governor, Pontius Pilate, as he is described in the pages of the Bible — vain, weak, willing to sacrifice a man whom he knew to be innocent in order to spare himself any unpleasantness with Tiberius Caesar. Yet how many ask the same question which Pilate asked, "What is truth?" and mean to say the same thing which he meant, "It all depends on how you look at it." This observation, like Ayer's, is plausible enough, and sometimes is appropriate. But it can also be deadly, and ultimately destructive of human intellectual freedom and dignity. Freedom and dignity depend on the conviction, and on the fact, that there are some things which are unchanging, which do not "all depend on how you look at them."

Brainwashing, "Free Society" Style

In addition to the compulsion which subjects of a totalitarian state suffer, it must be seen that even a free society has its own brand of conformism, which is

not imposed by law but which can be almost equally effective. The unchallenged authority exercised among teenagers by certain fads (and a similar power shown among adults by certain fashions) offers a readily recognizable example of a control which is not enforced by law, but which can be quite effective. Fads and fashions are often harmless, but we are beginning to notice that their unchallenged power can lead to tragedy — as, for example, when the emphasis on “having experiences” leads a person to take the first step on the road to drug addiction.

Every society, every culture, every sub-culture (for example, teenagers or retired people) has its own conventions, its consensus of values. Sometimes these are derived from clearly stated principles or teachings, as the Ten Commandments, sometimes from traditions and habits which are harder to trace down. Conventions certainly can outlive their usefulness and become actually harmful; on the other hand, to discard them because they are “outworn” often turns out to mean the loss of values which cannot easily be replaced.

In free society one variety of brainwashing is the repudiation, at the command of the intellectual climate or the “spirit of the age,” of important intellectual traditions

or axioms, *without discussion and without due cause*. There are fashions in thinking as well as in clothes, and often one intellectual principle may be discarded and replaced by another with no more discussion or reason behind it than can be given for a change in the height of a hemline. In the realm of the intellect this is dangerous: there is no way to counteract it save by thoughtful analysis and criticism.

It is important to note that valuable intellectual traditions can be discarded just as thoroughly as last year's fashions, and with much more serious effects, by a process which is so subtle that one does not notice it until it is too late. The repudiation is not done *clearly* and openly, because if so it would produce discussion and perhaps opposition; but it can be quite *complete* for all of its lack of clarity. An example is found in the molding effect exercised by a type of introductory general education course found in many colleges, with a title such as “The Authoritarian Personality” or “The True Believer.” Anyone who has glanced at the books which bear those famous names will recognize that while technically they are studies of extreme examples, they can carry the implication that authority per se, or committed belief per se, is

dangerous and leads to mental imbalance.

The presentation which this type of material receives and the climate in which it is discussed, often have an effect which goes beyond the implications of a scholarly study. Even in the hands of a perfectly ethical and neutral teacher or discussion leader the current intellectual fashion can take a subject like "the true believer," and give it an impact which seriously questions any and all genuine commitment.

Intellectual Relativism

The consequence of such brainwashing by fashion and environment, rather than by force, is the establishment of intellectual and moral relativism. Advocates of this position have in their favor the fact that those who stand for absolute values often have tried to establish their intellectual principles by physical force. Martin Luther once said that converts should be made only by the "sword of the word," and not by the sword of steel; but even Luther did not always follow his own advice, and others were considerably worse.

Against any who would enforce religious or philosophical conformity, it is necessary in the name of freedom to insist on the *practical* principle of tolerance. But in the

name of that same freedom it is necessary to oppose the *intellectual* principle of relativism. Relativism, while it begins by promoting freedom, proceeds to the destruction of values, and ends by exacting a new kind of thought control which deprives men of their dignity as responsible beings.

Relativism as an intellectual principle is becoming more and more dominant on the American scene, and can almost be taken for granted (as I have observed time and again, in discussions with students). Usually it is fostered by indirect but effective means, as in the polemics against the authoritarian personality and the true believer. Seldom does the *relativization of all values* receive as unambiguous a statement, or one which so clearly reveals where it leads, as that which follows:

First of all it [relativization of values] requires real maturity. It demands that all men be drawn into the secularization process so that *no one clings to the dangerous precritical illusion that his values are ultimate*. All idols and icons [by this is meant, every ultimate religious or moral commitment — H.O.J.B.] must be exposed for the relative, conditional things they are. Tribal naïveté must be laid to rest everywhere, and everyone must be made a citizen of the land of broken symbols. In this way the process which has destroyed the old

basis for social solidarity now provides the basis for a new one.² (emphasis mine)

This is a wonderfully illustrative statement. It reveals, first of all, the totalitarian tendency of the relativistic climate: no one is allowed to think his values are absolute. In effect, no one is to be allowed to believe in God in the way in which historic Judaism and Christianity have done. This freedom of belief is guaranteed, in theory at least, even in Soviet Russia—but not by a modern relativist.

Secondly, it illustrates the fact that values are dismissed *without discussion* and *without due cause*. It is not clearly said that if one may not hold certain values to be ultimate, one may therefore not believe in God. To have said this would have been too plain, and might have provoked an argument, while the same effect can be more easily obtained by the subtle but persistent influence of the innuendo. Such belief is referred to as an “illusion,” when the less derogatory word “conviction” would have served as well, and at least would have allowed for the possibility that a religious conviction might in fact be true. This, however, is a possibility

which the relativist is not even willing to discuss.

The use of words like “precritical,” “tribal naïveté,” and “idols” further illustrates the tendency. The person who allows himself to enter a discussion on these terms is already at a tremendous disadvantage in trying to fight his way clear of relativism. Language used uncritically becomes a tool in the hands of the enemy.

Captured Words: “Freedom”

The communist technique of taking over certain words entirely for their own use is well known. “People’s democracy” is the stock designation for a communist country, and the word “people” has been so successfully captured that it can hardly be used in some European languages except to refer to a communist movement. In addition to plastering the opposition with certain opprobrious labels, of which “tribal naïveté” for “Christian faith” is a perfect example, the spirit of cultural brainwashing captures certain words for its exclusive use, e.g., “freedom.” Thus, relativism is good because it leads to freedom (except, of course, the freedom to believe that your beliefs are actually true—in other words, except freedom to think). The ability to get along without ideals is paraphrased as “freedom” or “real maturity.”

² Harvey E. Cox, *The Secular City* (New York: Macmillan, 1965), pp. 34-35.

Another age would have called it lack of character, and so would we, if the intellectual climate had not frightened us by its attacks on the "authoritarian personality" into equating strength of character with mental illness.

Relativism = Freedom?

To argue that relativism leads to freedom has at least three flaws. First, as in the passage quoted, the argument supposes that by destroying the old basis for social solidarity (in our case, the values and standards of Western civilization) a basis will be provided for a new one. Even if this argument were true, which is open to question, what defense would we have in the interim, while waiting for the new basis to come to us, against the determined efforts of people who are still "tribally naïve" enough to work and fight for their values (such as the communists)?

Secondly, the theoretical question must be asked: can one actually throw away all ultimate values? Will one not simply discard a well-thought-out, relatively time-honored set to accept, willy-nilly, a set of uncritical and unarticulated but equally absolute assumptions? The contemporary Dutch jurist and philosopher, Herman Dooyeweerd, has argued that the very nature of thought itself re-

quires that a person assume absolute values: the only question is whether he will recognize this, and name them, as a rationally committed person does, or whether they will merely be unvoiced assumptions.³ In religious terms, it has always been put thus: man must worship, and if he is not willing to worship God, then he will find himself worshipping an idol. There is no *proof* for this statement, but Dooyeweerd has shown that it is at least worth taking seriously.

Thirdly, there is the very serious question: can there be any meaningful freedom in the total absence of authority? We know that this is impossible in practical social living: every man requires that his government have at least enough authority to guarantee him a minimum of peace and security. Otherwise, to say that he is "free" can be true but pointless. The English archbishop, Thomas Cranmer, wrote that perfect freedom is found in the service of God. By this he meant, not least, that ultimately God will vindicate his servants despite the presence of tyrants, such as the one who took Cranmer's life in 1556. Keeping the phrase "under God" in the pledge of allegiance will not

³ Herman Dooyeweerd, *In the Twilight of Western Thought* (2nd ed.; Nutley, N. J.: Craig Press, 1965).

do much for the religiousness of the children who recite it, but it just may keep the men who run and shape the government aware that finally they will not be absolute, but will have to answer to a higher Authority. Tyrannical authority is destructive of freedom, but so is the absolute absence of authority.

Authority to Criticize

Freedom depends on authority and responsibility. As a Christian I do not insist that I have the only workable concept of authority and responsibility. I recognize and am glad that there are others, both in other religious traditions and outside of all religious traditions, who also have a workable view of authority and responsibility. But I contend that pure relativism, the totalitarian relativism of the kind exemplified above, is ultimately destructive of both, and, if allowed to spread unchecked and uncriticized, will deprive people of the ability to think freely and to choose their own values and loyalties, and will ultimately deliver them into the hands of a tyranny far more oppressive than the narrowest kind of religious exclusiveness.

On the contrary, it is precisely from a position of well-informed commitment that mutual tolerance is possible. Much of the religious

prejudice and persecution of past centuries resulted from the fact that people were unsure of their own position, and afraid that it could not stand the challenge of a free clash of opinions. In the last few centuries, Christianity has again had to learn to stand on its own feet — as it did in its earliest centuries, unsupported by any government — and is stronger for the experience. No longer would any serious Christian demand that for his own sense of security all opposing views be broken down by force — yet that is precisely what the relativist does in the name of freedom.

Freedom and Truth

It is to obtain freedom that we are asked to become relativists. But ultimately freedom requires responsibility, which is just what relativism destroys. We live in a pluralistic society, and in a pluralistic world; we must recognize that it is neither right (nor practical) to attempt to impose any set of absolute values by force. But once we have given up the conviction that there *are* absolute values, then it is only a short step before we are unable to distinguish Heinrich Himmler from St. Francis. In a crowded world the only possibility for all to have freedom is for individuals to have integrity. The integrity of the in-

dividual depends to a large extent on his commitment to truth. (Here and there a moral relativist can be found who nevertheless behaves with complete personal integrity. But these are rare cases, what we might call happy inconsistencies.)

The cry of the age, in America and throughout much of the world, is "Freedom Now!" Jesus said, ". . . the truth shall make you free." He spoke of himself, but also meant this: where there is no truth, ultimately there is no freedom. In the battle for the mind, we may safely dispute about *what* is true; but we must never cease to maintain *that* truth is, for without it we cannot be free.

A Countermeasure

In opposition to this deadly drift, several things are necessary: first it must be recognized that there is a drift, a monolithic climate, which is slowly but relentlessly submerging intellectual and moral values without ever openly attacking them or proving them wrong. Second, one must be prepared to criticize the assumptions of this intellectual climate, not accept them; by accepting them, the battle is lost before it is well begun. Third, one must be prepared to have, in the words of Belloc, the courage of one's prejudices. It is without a doubt true that any firmly held position has elements

of prejudice in it. However, as one noted Russian theologian says, "Anyone who says he is not prejudiced is a liar." And that goes for "liberals" as well as for "conservatives." Real freedom is possible when, and only when, men of different opinions can meet in mutual respect — not when the motto is, "Let us all give up our convictions, and build on a total absence of ideals." Quarreling about principles may be unpleasant, but it is far healthier than having no principles.

A Need to Re-examine Basic Principles and Premises

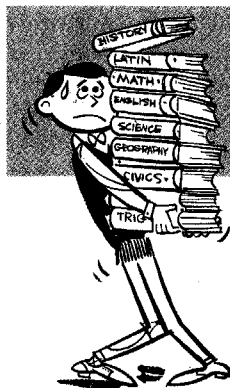
In the continuing battle for the mind, which may be more crucial for America than the totalitarian threat from outside, we must recognize that the principles by which we think are being challenged. A nineteenth-century revolutionary song says, "Thoughts are free. No one can guess them." This is true in the twentieth century too — but, if the present drift continues, we will be unable to think anything but pale and lifeless thoughts which are not worth guessing.

The only answer to this is to bring some basic principles out into the open again: Let the Protestant and the Catholic challenge each other; the atheist, the believer; and let each see for him-

self—and let the other see—whether he is a man of conviction, or merely a creature of habit.

Such a course of action will produce some heat; it will produce some hurt feelings. It will produce some people who are shocked to learn that they really know noth-

ing about what they always thought that they believed. But it ought also to produce, or at least uncover, individuals who know what they stand for: men of integrity, "whole" men; and these are the building blocks of a free society. ♦



Freedom through EDUCATION

ROBERT K. NEWELL

ponder the wisest course for education to follow, theirs is a moral obligation to avoid complacency in the popular delusion that the sole requisite for pedagogical progress is ever-increasing public expenditures lavished on elaborate facilities and intensified curriculum.

For many years psychologists and educators have recognized the processes by which thought and behavioral patterns acquired in youth become the basis for adult motivation. In modern times all thoughtful observers have become progressively aware that moral, social, and political concepts implanted in the formative years of mental immaturity not only participate in the conduct of later life, but, once acquired, such con-

SINCE FOUNDATIONS of human progress are laid in education, the future can be no more purposeful than the legacy of human values each generation leaves to the next. Every generation is entrusted with the social and political hopes of future generations, just as human values now enjoyed were identified and preserved through efforts of former generations. As responsible citizens apprehensively

Mr. Newell operates a farm near Marcellus, Michigan, the "harvest" in this case being food for thought.

cepts become dominant and often unalterable in the adult. Thus, captive audiences of immature minds provide powerful and much prized forums for ideological indoctrination. Educational environments left unguarded can easily be captured by authoritarianism and in due course transformed into climates of unquestioning social and political opinion.

Individual Responsibility, or Totalitarian Control

Freedom presupposes individual responsibility and, rather than depending upon concentrations of invested political authority, derives social continuity from the constant political evaluations of enlightened individuals. If education is allowed to divert human intellect into stagnant pools of ideological conformity, and thereby methodically arrest individual capacity for political contribution, the resulting social complex provides a fertile field in which totalitarianists can sow and harvest propaganda at will and exercise unchallenged control over the collectivized mind. Humanity can never socially advance where education teaches mass conformity and what to think, rather than developing individual intellect to full potential by teaching how to think. Political freedom demands that individuality be sufficiently devel-

oped to successfully resist all attempts at mass motivation.

If, rather than taking the proper educational aim of creating well-springs of human thought, our generation articulately selects and presents educational data that seem to support the distortions of political dogma, the future will hold little promise. When despots enjoy unquestioning support of carefully nurtured climates of opinion, the collectivized citizen's only hope for an improved situation is that the current despot's successor might chance to be somewhat more benevolent than his predecessor. There is no possibility that mankind, under such conditions, can ever become fully aware of true human potential while living together in tolerant harmony. Until men in society regard each new individual as a personality with a vital intellectual potential to be developed, education can do little to advance civilization and social harmony.

Those who place their present faith and future hope in the dead leveling mediocrity of political legalism to conduct humanity to brighter times, ignore a fundamental psychological truth. Legal attempts to correct or alter human conduct resulting from improper education must all end in failure, even when such attempts are unrelenting and are accompanied by

intensive indoctrination programs. It is impossible to superimpose an effective code of ethics on an entire society and, through compulsion, expect social adherence to arbitrary legal standards of conduct. Political law, irrespective of ingenuity and tenacity of enforcement, provides nothing more corrective or permanently beneficial in the adult than temporary control of faulty behavior traceable to education's failure to create virtue and conceptions of individual responsibility in the child.

If humanity invested but a fraction of the effort so willingly lavished on legal, political, and military antidotes, to analyze and correct educational faults at their source, mankind would make a firm advance toward domestic tranquillity and international peace. Proper education alone can teach men to live responsibly through reason, and to behave by choice in the orderly manner that legalists clumsily attempt to establish coercively through punitive reprisals.

A Chance to Reason

The real enemy of social advancement and political freedom is collectivistic indoctrination that destroys mental self-sufficiency. New generations must be given mental freedom to follow reason wherever it presents itself; to

build constructively upon social truths that can withstand the constant scrutiny of progress; and, rather than constantly constructing illusionary sanctuaries of collective security, confidently to place trust in individual responsibility. Education can then increase self-knowledge and cement conceptions of responsibility toward contemporary and future generations.

Education being the prime source of human motivation, and faulty education the taproot of faulty human conduct and authoritarianism, it follows that educational environments must become the immediate concern of all responsible people. If freedom is to displace authoritarianism and raise humanity to progressively higher spiritual and social plateaus, the educational procedures that develop individual thought must be identified and cultivated.

Historically, education has run the gamut from private tutelage to the completely controlled curricular environments of government-financed political indoctrination institutions. In our society, too, education has undergone continuous change. The desirability of transferring educational authority from private to governmental jurisdiction is a matter of personal opinion in a constitutional society. But regardless of divergent opinion on specific educational policy,

proper education is still the only dependable safeguard of political freedom; and the grave dangers involved in governmental usurpation and centralization of educational authority should greatly concern all thoughtful citizens.

Sound Public Policy Requires Well-Informed Citizens

The basic advantage of constitutional government is the inherent political ability of a free and informed citizenry to bring about desired changes in public policy. Such changes are constant and necessary, but the key element in purposeful social change is the well-informed citizen. Constant change without full understanding of future consequences, while always dangerous, is politically dis-

astrous in the case of educational policy. Indifference in this vital area can, by default, turn human intellect and the hope of freedom over to the tyranny of collectivistic thought control.

Rather than continually seeking financial aid for education from political sources that would gladly render such assistance in order to further control and collectivize public instruction, the informed citizen must act to arrest and reverse this relentless drive. It is the responsibility of each citizen in a constitutional society to ponder the plight of creative thought and related freedoms; and, having arrived at constructive conclusions, do his utmost to ensure that freedom through education shall survive and flourish. ♦

IDEAS ON LIBERTY

Extra

"HUMAN NATURE," he began, "is so constructed that the vast majority of men can proceed only so far against obstacles. The limit of average endurance is a known quantity in every human activity. Success is achieved by those who beat this limit by extremely small margins.

"What most of us cannot perceive is that an additional ounce of energy at the final breaking point will distinguish us from thousands or millions of ordinary human beings.

"This is the reason why sports are so important. In athletics young men learn that victory is usually achieved by an amazingly slight advantage — by a yard in a mile race. We must understand that life is competitive. Those who go in for sports become sensible of this. Those who live within the walls of study rooms are denied this knowledge."

From *The William Feather Magazine*, February 1966

"THE STATE SWELLED AND THE PEOPLE SHRANK"

WILLIAM HENRY CHAMBERLIN

THE GREAT Russian historian, V. O. Klyuchevsky, is a master of the epigram, of the telling phrase that says much in few words. The seventeenth century in Russia was a period of consolidation of government power and extension of the country's frontiers, at a cost to the people which, as Klyuchevsky says, could scarcely be counted. The chains of serfdom were riveted more firmly on the peasants. Taxation increased to such unbearable heights that some nominally free Russians wanted to accept serfdom as a more bearable lot, where the master at least would have to settle the tax claims. The people were actually enjoined from doing this by the penalty of being whipped with the dreaded knout. After remarking that free-

dom which had to be maintained with the threat of the knout could not have been worth much, Klyuchevsky pronounced this eloquent judgment on that phase of Russian history:

"The state swelled and the people shrank."

It may seem a far cry from affluent, technically-advanced, twentieth-century America to the poor, barbarous, half-Asiatic Muscovite state of three centuries ago. But statism is a disease that recognizes no boundaries of time and space. The United States, conceived in liberty, as Abraham Lincoln said—and provided by its Founding Fathers with a splendid set of constitutional checks and balances against arbitrary government power—is moving visibly and with alarming speed down the collectivist path at the end of which the government is everything, the individual nothing. We

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

are approaching that condition which the brilliant and prophetic French political thinker and philosopher, Alexis de Tocqueville, foresaw so clearly more than a century ago:

Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent if its object were to prepare men for manhood; but it seeks, on the contrary, to keep them in perpetual childhood. It is well content that the people should rejoice, provided they think of nothing but rejoicing. For their happiness such a government willingly labors, but it chooses to be the sole agent and the only arbiter of that happiness. It provides for their security, foresees and supplies their necessities, facilitates their pleasures, directs their industry, regulates the descent of property, and subdivides their inheritances. *What remains but to spare them all the care of thinking and all the trouble of living?*

The will of man is not shattered, but softened, bent and guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence. It does not tyrannize, but it compresses, enervates, extinguishes, and stupifies a people, *until each nation is reduced to be nothing better than a flock of timid and industrious ani-*

mals of which the government is the shepherd.

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

Managed Mediocrity

It is toward this type of society that almost the entire world has been moving, at a slower pace after World War I, at an accelerated pace after World War II. In the United States, in the memory of living men and women, there has been a tremendous shift, very much speeded up in the last years, from the traditional American conception of a society in which every member is responsible for looking after his own needs — expecting no help from the government and not forced to give help outside his own family obligations, except as conscience, human sympathy, and compassion may prompt him — to the kind of society which Tocqueville foresaw, with the government as the shepherd and the citizens as a “timid and industrious flock.”

Perhaps the greatest shift has been from the idea that what a man earned was his own, to be spent or saved at his pleasure and

discretion. Now the individual no longer works for himself, but for an increasing horde of tax collectors — Federal, state, municipal, and whatnot — imposing an enormous variety of direct and indirect levies. The explanation of this change is easy. Gone is the time when the individual, in return for keeping practically all he earned, was expected to pay his own rent and his own doctor's bills and to make reasonable provision for his years of retirement. Here is just a partial and limited list of the obligations which the solvent taxpayer is now required to meet:

- Safeguarding the freedom of remote peoples who may or may not have much conception of what freedom is.

- Making good the deficits which regularly appear in the balance of payments figures of former colonial countries which have gone in for planning and socialism.

- Paying a share of the rent and medical bills which, in unsophisticated earlier times, were supposed to be settled by the people who incurred them.

- Supporting in idleness large numbers of persons who, in the unregenerate "bad old days," would have been expected to work for a living, even at hard and low-paid jobs.

- Paying all sorts of expenses

of states and municipalities, large and small, necessary and unnecessary, which are subsidized from Federal funds.

"Charge it to Uncle Sam" has become the favored easy way of obtaining acceptance for every scheme of real or supposed social benefit that costs money. Which might be fine if Uncle Sam were an inexhaustible source of self-generating wealth. But this is not the case. Governments by themselves create no wealth whatever. What they pay out must be taken from those on whom they levy taxes.

Here is an example of the kind of charge on Federal revenues (which means on your income taxes, and mine and the next man's) that would have been, until recently, quite unthinkable. A group in the Boston suburb of Brookline thought it would be desirable to bus school children from the predominantly Negro area of Roxbury and distribute them among Brookline schools. How much popular support this idea attracts is not clear. But the sponsors anticipated no trouble about money. Uncle Sam would pay.

Negative Thinking

There was a time, not much more than a generation ago, when it was considered a social disgrace to depend on state funds for a

livelihood. Today, "collecting security" has become one of the major unlisted industries. And there is a concerted movement under way to carry the process of pillaging the industrious and thrifty for the benefit of the thriftless and shiftless — which began with the imposition of the graduated personal income tax — a long stride forward by introducing a so-called NIT, negative income tax.

This would assure every family a minimum income, tentatively put at \$3,000 a year, whether it was worked for and earned or not. The cost of such an arrangement could easily run as high as \$11 billion. In one way or another, by higher taxation or inflation, this would come out of the pockets and savings of the productively employed. As one advocate of this system remarks:

The NIT would eliminate the degrading kind of means test to which applicants for public assistance are subjected in most localities. Instead of being an applicant (often almost reduced to a beggar) the individual would be a *claimant by right*, as in the Social Security System. . . . With only the same kind of spot-checking that is now done within the income-tax framework, the establishment of eligibility would be handled simply and with the same degree of dignity accorded to the taxpayer at present.

Some of the consequences of the negative income tax, should it be enacted into law, are almost breath-taking. Some 34 million people would become permanent state pensioners, to be maintained at the cost of the solvent taxpayers. The incentive to work at less skilled and lower paying jobs has already been gravely weakened by the present system of social security and relief payments. Under NIT, this incentive would disappear altogether. A permanent lobby would be created for raising the income level at which people would be eligible for NIT to \$4,000, to \$5,000 — the sky would be the limit. Individual responsibility, a conspicuous casualty of fashionable modern social and economic theories, would sustain what might well be a final fatal blow.

So, Why Work?

At both ends of the economic scale the question, "Why Work?" would be asked more often and insistently. The beneficiaries of this gigantic pension system — granted without regard for real need, disability, or consideration of willingness to work — would see little reason to take an unskilled job paying \$3,000 a year or a little more if they could sit instead watching television, with occasional trips to the nearest bar,

financed out of the regular government checks.

At the same time, the more ambitious and affluent — the principal sufferers under the graduated income taxes imposed by the Federal government and many states — would see little incentive to work harder if what they earned would be largely siphoned off for such purposes as putting up some of the deserving poor at the Astor Hotel (a recent news item about this practice appeared in New York papers) or paid out under the provisions of NIT.

A more effective disincentive to the hard work that is the key element in national prosperity and well-being could hardly be imagined. Yet NIT has enlisted the support, not only of some academic theorists, but of the President's Committee on Automation, which includes among its members some prominent industrialists. It sometimes seems as if public opinion in America — the country of all others which offers a practical example of what can be achieved under a system of individual free enterprise — has become quite bemused with the idea that, if and as the state becomes bigger and bigger and spends more and more, such social problems as health, education, unemployment, and poverty will be eliminated.

Opportunities Abound

A book that appeared recently, *David Sarnoff: A Biography*, by Eugene Lyons (Harper and Row, \$6.95) gives an excellent picture of how these problems could be and often were met long before the collectivist society was dreamed of. Coming to America as a ten-year-old immigrant with a poor family from an isolated Jewish village in western Russia, young Sarnoff was as underprivileged as they come. No big-brother government extended him a helping hand. The illness and incapacitation of his father made the family largely dependent on David's earnings as a newsboy. No one paid the Sarnoffs a negative income tax or gave them state aid of any kind.

But young David took to New York and its larger outlook and opportunities like a duck to water. He studied hard in school, and without asking whether the school was "integrated" or not. He read voraciously out of school as well as in school and took advantage of the lectures and courses at the Educational Alliance, an East Side settlement house. As a final Horatio Alger touch, he began at the bottom of the ladder as an office boy in the Marconi Company, parent of the huge Radio Corporation of America, of which David Sarnoff has long been president

and which does business at the rate of billions of dollars a year.

Sarnoff came to America in immigrant steerage quarters; his return crossing of the Atlantic was in luxury quarters on a famous liner as a member of the American delegation to the conference on German reparations in Paris in 1928. In both world wars his knowledge of electronics was of conspicuous service to his country and he came out of the Second with the rank of General, after having put the French radio business on its feet after the expulsion of the Germans in 1944.

Such a career as Sarnoff's is, of course, exceptional. But the number of individuals who have risen from very humble backgrounds to the highest achievement in politics, business, science, and scholarship is unlimited. Most notable and famous of all is Sarnoff's boyhood hero, Abraham Lincoln, whose rise from frontier rail splitter to the highest office in the land during a period of supreme national crisis was achieved without benefit of either Federal aid to education or an antipoverty operation.

Inflationary Government Spending

The United States seems to be succumbing to one of the oldest, most persistent, and most harmful of human delusions: that govern-

ment may spend without regard for the rules of prudent finance and emerge from the experiment unscathed. Already, inflationary danger signals are flying in many sectors of the economy. Yet the country is being committed both to a war of uncertain duration and cost in Vietnam and to huge social welfare spending which, if past experience is any guide, will grow steadily from year to year. In the name of overcoming poverty through a vast proliferation of bureaucratic agencies the grave risk is being incurred of impoverishing everyone through an accelerated depreciation in the purchasing power of the dollar.

The price tag is usually ignored in euphoric forecasts of growth and glowing estimates of what the government will do for almost everyone. Indeed, the biggest rate of growth is in nondefense government spending, up 60 per cent between 1961 and 1966, a far higher rate of increase than industrial output registered for the same period.

Education for What?

United States education in the past was at most a state or local, if not altogether a personal and private, responsibility. Federal expenditure in this field in 1945 was \$291 million. But now the bars are down. This item of Federal

spending was \$6.3 billion in 1965 and will pass \$8.7 billion in 1966.

Apart from the pressure on the stability of the currency and the drain on the pockets of the taxpayers, this orgy of spending has the markedly undesirable effect of enabling Federal bureaucrats to dictate to local school boards how they must arrange the racial composition of their community schools, on pain of having Federal grants withheld. State educational bureaucrats, of course, can be just as tyrannical as Federal. Mount Vernon, Malverne, and other New York suburban communities have been split into hostile camps and generally disrupted by arbitrary orders from the state Commissioner of Education in Albany that the neighborhood school concept on which American education has always been based be sacrificed to objectives that are not only unreasonable but, probably, in the long run, impracticable: "correcting racial imbalance" and eliminating "de facto segregation." This kind of forced integration is just as obnoxious, just as much of a blow to liberty, as the forced segregation which is now, happily, on the wane. This tendency to use Federal grants as a club against local communities is another proof of the danger of vesting too much power in central authority.

The Great Fiction of Paying Each Other's Bills

America, which grew great and prosperous on the principle of keeping government off the backs of its citizens, of leaving every individual free to go as far as his character and ability would warrant, now gives the impression of contracting what might be called Bastiat's disease. Frederic Bastiat was a brilliant French economist of the early nineteenth century whose definition of the welfare state could scarcely be improved on:

"That great fiction, by means of which everyone hopes to live at the expense of everyone else."

How else can one understand the apparently serious proposal in the report of the President's Council of Economic Advisers that the Federal government "rebuild the cities"? As if this formula would relieve the taxpayers of the various cities of the necessity of paying the bill for this operation!

Two conspicuous factors in the decay and decline of such mighty political institutions as the Roman and Byzantine Empires were excessive multiplication of bureaucratic offices and overtaxation, carried to such extremes that the people were indifferent when the barbarians in the West and the Mohammedans in the East broke through the frontiers. If the

United States is to avoid a similar danger, there must be a swift, decisive change of emphasis, from the government to the individual, from state help to self-help, from the society of the Big Brother state (which takes from some

pockets everything it professes to put into others) to the historic American society of independent, self-reliant individuals.

One career like David Sarnoff's is worth a dozen antipoverty programs. ♦

IDEAS ON LIBERTY

The Greatest Threat

IN A SENSE, inflation is a moral as well as an economic issue. Inflation gets its impetus from human selfishness and greed. Deficit spending is in reality the transfer to future generations of the tax load for present-day spending. The depth of our national moral decay is portrayed by two common excuses, "If we don't spend it, someone else will" and "Why worry about the national debt, we owe it to ourselves." Is it any wonder that the Job Corps spends 10 to 15 times as much per student as the average public school; that the War on Poverty is degenerating into a gigantic boondoggle; that 8 to 10 million people find welfare a more attractive way to live than working; that the airlines to Washington are jammed with local businessmen and civic leaders pleading for federal dams, swimming pools, and airports? Materialism holds sway in America today.

The greatest threat to the future of our nation — to our freedom — is not foreign military aggression or internal communistic subversion but the growing dependence of the people on a paternalistic government. A nation is no stronger than its people and the best measure of their strength is how they accept responsibility. There will never be a great society unless the materialism of the welfare state is replaced by individual initiative and responsibility.

CHARLES B. SHUMAN, President's address to the American Farm Bureau Federation, December 13, 1965

OBSERVATIONS ON THE RUSSIAN REFORM MOVEMENT

LUDWIG VON MISES

THE BOSSES of the Russian Communist Administration are disturbed by the fact that economic conditions in the countries which have not adopted the methods of the Communist International are by far more satisfactory than those in their own country. If they could succeed in keeping their "comrades" in complete ignorance of the achievements of Western capitalism, they would not mind the low efficiency of their own plants and farms. But as some scanty information about the "affluence" in the West penetrates to Russia, its masters are upset by the fear of a procapitalist reaction in their own house. This fear impels them on the one hand to foment sedition

all over the "capitalist sector" of the earth, and on the other hand to ventilate projects aiming at some minor reforms in their own methods of management.

Nobody is today more firmly convinced of the incomparable superiority of the capitalistic methods of production than the "production tsars" of the countries behind the Iron Curtain. The present-day strength of communism is entirely due to the mentality of the pseudo-intellectuals in the Western nations who still enjoy the products of free enterprise.

Capitalism a Social System of Consumers' Supremacy

The market economy—capitalism — is a social system of consumers' supremacy. There is in its frame only one method of earning a liv-

Dr. Mises is Visiting Professor of Economics at New York University and part-time adviser, consultant, and staff member of the Foundation for Economic Education.

ing and of acquiring property, namely, one must try to serve one's fellow men, the consumers, in the best possible way. A daily and hourly repeated plebiscite determines again and again every individual's earnings and place in society. By their buying and abstention from buying the consumers allocate ownership of all the material factors of production to those who have succeeded in satisfying the most urgent of their not yet satisfied wants in the best possible and cheapest way. Ownership of the material factors of production can be acquired and can be preserved only by serving the consumers better than other people do. It is a revocable public mandate as it were.

The supremacy of the consumers is no less complete with regard to labor, the human factor of production. Wage rates are determined by the price the consumer, in buying the product, is prepared to refund to the employer for the worker's contribution to the process of its production. Thus the consumers' valuation fixes the height of every worker's remuneration.¹ And let us not forget: the immense majority of the consumers are themselves earners of

salaries and wages and, in this capacity, instrumental in the determination of their own compensation.

The unique efficiency of the capitalistic system is due to the incentive it gives to everybody to exert his forces to the utmost in serving his fellow citizens. Not a vague altruism, but rightly understood selfishness impels a man to put forth all his strength in the service of his fellow men. The system of economic calculation in terms of money, the commonly used medium of exchange, makes it possible to compute precisely all projects in advance and the result of every action performed in retrospect; and, what is no less important, to ascribe to every factor the size of its contribution to the outcome.

Planning for People Control

The characteristic feature of socialism is precisely the fact that it substitutes for this market system of consumers' supremacy a dictatorial system, the "plan." In the planned economy the individuals are not driven by the desire to improve their own conditions but either by dutifulness or by the fear of punishment. It is impossible for the individual workers to improve their own material situation by working better and harder. If they intensify their

¹ This is to what the jargon of the Hollywood industry refers in using the term "box office account." But it is no less valid for all other fields of business.

own exertion, they alone are burdened by the implied sacrifices, but only an infinitesimal fraction of the product of their additional exertion will benefit themselves. On the other hand, they can enjoy in full the pleasures of carelessness and laziness in the performance of the tasks assigned to them while the resulting impairment of the total national product curtails their own share only infinitesimally.

The economists always have pointed to this inherent deficiency of socialism. Today all people in the socialist countries know that this criticism was fully justified. All their projects for an improvement of the quality and an increase in the quantity of economic goods and services turn around this problem. They all aim — unfortunately, in vain — at discovering a scheme that could make the individual members of a socialist system self-interested in the effect of their own contribution to the collective's effort.

That the socialists acknowledge this fact and are anxious to find a solution amounts in itself to a spectacular refutation of two of the most zealously advanced arguments in favor of socialism. On the one hand, the socialists asserted that in the market economy the wage earners are not interested in improving the output of

their own work. They expected that socialism would bring about an unprecedented improvement of the individual worker's contributions because everybody will be incited by the knowledge that he does not labor for an exploiter but works for his own best interest. On the other hand, the socialists vilified profit-seeking as the most pernicious and "socially" injurious institution and indulged in reveries about the blessings of what they called a substitution of "production for use" for "production for profit."

No less significant an admission of the viciousness of the socialist ideology is provided by the system of allowing small plots of land to be exploited for the account of the individual rural workers — falsely labeled for "private profit." This capitalistic loophole alone prevented famines in the country that includes a good deal of the world's most fertile arable soil. The urgency of the Soviet productivity problem is due to the fact that in the processing industries no analogous expedient is at hand.

No Fundamental Change

The much discussed reform projects of Professor Liberman and other Russian authors do not refer to the essential characteristics of the Soviet system of central plan-

ning of all activities commonly called economic. Neither do they deal in any way with the problem of economic calculation. (For present-day Russian planners this problem does not yet have primary importance; as long as they are operating within a world of the price system, they are in a position to rely upon the prices determined on the markets of the West.)

What the reformers want to attain is improvement in the conduct of factories and workshops turning out consumers' goods by the adoption of new methods for the remuneration of directors, supervisors, or foremen. The salaries of such people should henceforth be meted out in such a way that they should have a pecuniary interest in producing articles that are considered as satisfactory by the consumers.

It is a serious blunder to employ, in dealing with this issue, any reference to the concept of "profit" or to declare that the suggested method of payment would mean something like "profit-sharing." There is within a socialist system no room for the establishment and computation of a magnitude that could be called profit or loss.

The task of production is to utilize the available human and material factors of production for the

best possible satisfaction of future wants, concerning which there cannot be any *certain* knowledge today.

The Entrepreneurial Function

Technology indicates for what purposes the various factors of production could be employed; it thus shows goals that could be attained provided this is considered as desirable. To choose from this bewildering multitude of possible ways of production those which most likely are fit to satisfy the most urgent of the future wants of the consumers is in the market economy the specific task of the entrepreneur. If all entrepreneurs were right in their appreciation of the future state of the market, the prices of the various complementary factors of production would already have attained the height corresponding to this future state. As, under these conditions, no entrepreneurs would have acquired some or all of the complementary factors of production at prices lower or higher than those which later events proved to be the correct ones, no profits or losses could emerge.

One profits by having expended less than one — later — receives from the buyers of the product, and one loses if one can sell only at prices that do not cover the costs expended in production.

What determines profit or loss is choosing the goal to be set for the entrepreneurial activities and choosing the methods for its attainment.

Thus, it is investment that results either in profit or in loss. In a socialist system, since only "society" invests, only society can profit or suffer losses. But in a socialist system the material factors of production are *res extra commercium*. That means: they can neither be bought nor sold and thus no prices for them are determined. Therefore, it is impossible to find out whether a definite production activity resulted in profit or loss.

The Process of Selection

The eminence of capitalism consists precisely in the fact that it tends to put the direction of production into the hands of those entrepreneurs who have best succeeded in providing for the demands of the consumers. In the planned economy such a built-in process of selection is lacking. There, it does not matter whether the planning authorities have erred or not. The consumers have to take what the authorities offer them. Errors committed by the planning authority do not become known because there is no method to discover them.

In the market economy the

emergence of profit demonstrates that in the eyes of the consumers one entrepreneur served them better than others did. Profit and loss are thus the effect of comparing and gauging different suppliers' performance. In the socialist system there is nothing available to make possible a comparison of the commodities fabricated and the services rendered by the "plan" and its executors with something originating from another side. The behavior of the people for whom the plan and its executors are supposed to provide does not indicate whether a better method of providing for their needs would have been feasible. If, in dealing with socialism, one speaks of profits, one merely creates confusion. There are no profits outside the "profit and loss system."

If the authorities promise to the director of a shoe factory a bonus to be determined as a percentage of sales, they do not give him a share in "profits." Still less can this be called a return to the profit system. Profits can only be calculated if one deducts total costs from total receipts. Any such operation is unfeasible under the conditions of the case. The whole factory, fully equipped, was handed over by the authorities to the care of the director and with it all the material needed plus the order to produce, with the help of

workers assigned to the outfit, a definite quantity of footwear for delivery to definite shops. There is no method available to find out the costs incurred by all the operations preceding the first interference of the director. The bonus granted to him cannot have any relation to the numerical difference between such total costs and the proceeds from the sale of the final product.

A Significant Difference

In fact, the problem of reform as passionately discussed in the communist countries today does not deal with the profitability of the various plants and productive processes. It turns virtually around a different problem: Is it possible within a socialist system to remunerate a worker, and especially the supreme foreman of a plant, according to the value the consumers, the people, attach to his contribution to the accomplishment of the product or the service?

In the capitalistic or market economy the employer is bound to pay a hired worker the price the consumers are prepared to refund to him in buying the product. If he were to pay more, he would suffer losses, would forfeit his funds, and would be eliminated from the ranks of the entrepreneurs. If he tried to pay less, the competition

of other employers would make it impossible for him to find helpers. Under socialism no such connection between the amounts expended in the production of a commodity and its appreciation by the consumers prevails. There cannot therefore, *in general*, be any question of remunerating workers according to their "productivity" as appreciated by the consumers. Only in exceptional cases is it possible to separate the contribution of one worker in such a way from those of all other contributors that its separate valuation by the consumers and therefore its remuneration according to this valuation become feasible. For instance: all seats in the opera house can be sold at the regular price of m . But if a tenor of world fame sings the main part, the house is sold out even if the price of admission is raised to $m + n$. It is obvious that such cases are extremely rare and must not be referred to in dealing with the problem of wage rate determination under socialism.

Of course, a socialist management can determine for many kinds of work "normal" tasks to be performed by the laborer and, on the one hand, reward those who accomplish more and, on the other hand, penalize those who fail to produce their quotas. But such a norm in no way depends on any market phenomena. It is the out-

come of a more or less arbitrary decision of the authorities.

In the market economy the salaries paid to people who turn out commodities or render services that cannot be sold on the market, and for which therefore no prices are available, are indirectly determined by the structure of the market. The employer—in such cases, as a rule, the government—must pay to such people enough to prevent them from preferring a

job in the orbit of the market. Such indirect determination of the height of wage rates also is unfeasible in a socialist system.

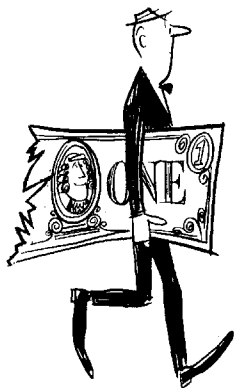
Of course, the government is always free to grant to any of the officials it employs a salary equal to the value the supreme chief or planner attaches to this man's services. But this does not have any reference to the social problem around which the discussion turns. ♦

IDEAS ON LIBERTY

Subsidies Work

Once upon a time, long, long ago, a small Chinese village was plagued by an alarming growth in the number of its rats, who ate the crops and nibbled at the children's toes while they slept, and generally made life increasingly miserable. The elders of the village came together in council, and in their desperation and in their wisdom, they decided on strong measures to cut down the rat population—they would pay a bounty of so many yen per head for each dead rat brought in to the village pound. At first, this measure, though costly, seemed very successful and there was a gratifying decline in the rat population; after several months, however, the Dispenser of the Public Funds noticed that there was a striking increase in his disbursements for dead rats and he quietly started an investigation of where they were coming from. To his horror and to the dismay of the Council, he discovered that some of the more enterprising citizens had taken to raising rats, and had found it most profitable.

LOUIS STONE, from the March 1966 *Monthly Investment Letter* of Hayden, Stone, Inc.



INSURANCE PROBLEMS

PAUL L. POIROT

"YOUR MONEY, or your life!"

The tax collector seldom phrases his request exactly that way; and, though crime is increasing, not many Americans have been invited to consider the proposition at gun point. Even fewer of us, I suspect, ever have volunteered much serious thought to the relationship between life and property.

Fortunately for us, however, we seem to tend by instinct to accumulate private property in various forms and to defend our property as though our lives depended on it. Perhaps they do; in which case, it would seem wise to give the matter some further thought. And what better point of focus than the business of life insurance itself and the closely related field of old-age retirement insurance, sometimes referred to as social security! How does one go about insuring his life?

There is a traditional procedure. It involves saving—consuming less than one's earnings—for a time, so that a certain level of consumption may be maintained later when earnings might have declined or ceased entirely. If several persons agree to cooperate in such a program, the individual risks of dying sooner or later than normal may be shared or pooled.

The concept or idea of property is likely to be dormant or poorly developed among grasshopper-like creatures that consume everything just as fast as they appropriate or produce it. But the moment an individual thinks of saving something, that something and the saving reflect some purpose in his life—become a part of his life, so to speak. And at this point, he is in a position to think of the connection between his life and his property. Thus it is that purpose, saving, life, and property become

intimately related in the mind of the individual and blend into a single concept. A man's purpose, then, is what gives him an insurable interest in his life. And property might be said to be the economic essence of insurance. That certainly is the basis upon which the life insurance industry has functioned, traditionally: saving and investing in productive enterprises likely to yield goods and services for later consumption and the fulfillment of one's purpose in life.

Now, compare that traditional concept and method of life insurance with the "social security" idea — the compulsory taxation of those who have a purpose in life for the benefit of those who lack such purpose. It hardly seems necessary to observe that the mere will to live is not much of a purpose; to live for what? Nor can a person's poverty or great need be logically classed as a purpose. Such a negative attainment is not a sufficient reason for one's wanting to live or to insure his life. And how can a person who has no use or purpose for his own life be of any possible use or service to anyone else? This is the hopeless contradiction and inconsistency of the whole idea of compulsory Social Security. The program compels human beings to work and sacrifice for nothing worthwhile —

so it is entirely fitting and proper to refer to it as a something-for-nothing arrangement.

Destructive Nature of Compulsion

The compulsory processes of government are well adapted for the conversion of something into nothing. Nor should it surprise anyone that the compulsory Social Security program involves neither saving nor investment in productive property, which we have seen to be essential features of any realistic form of life insurance. Lives without purpose can see no need for property of their own nor any reason to respect or defend anyone else's private property. So, it is entirely logical — once the first false premise of the "social security" ideas has been embraced — to base the functioning of the program, as it is based, upon the expropriation of the property of those who have earned and saved according to their respective purposes. This process of destroying the property and defeating the life purposes of those who have either is the very antithesis of *life insurance*. It is antisocial in the extreme, for it discourages the thrift and saving upon which increasing productivity depends.

Without savings and production, an individual can neither attend to his own economic security

nor practice charity toward anyone less fortunate than himself. Perhaps "social security" of a sort may be found within a den of thieves; but stealing one another to death ought not to be confused with life insurance.

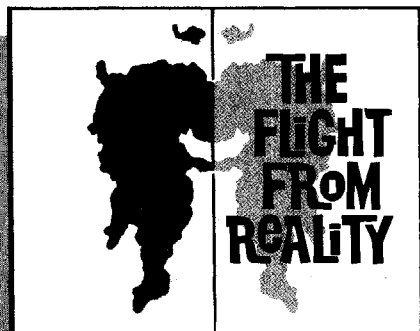
A Tragedy of Errors

One of the great tragedies of our time is the extent to which compulsory Social Security is confused with life insurance. Top executives of private life insurance companies may be found testifying to the "actuarial soundness" of the compulsory Old Age, Survivors, and Disability Insurance program. Insurance salesmen advise prospective clients to build their private insurance programs upon the "solid foundation" of their Social Security benefits. Nor does the typical willing customer for traditional insurance appear to see any inconsistency between such a saving and investment program and the Social Security procedure of plundering property. Even college professors, including teachers of economics, have been known to volunteer themselves subject to the Social Security tax that destroys property and purpose and thus provokes additional appeals for handouts. The individual, who voluntarily subordinates his own life's purpose to the pleas-

antries of collective living without purpose, fully deserves what he'll get from that kind of "social security."

The great mystery of our century must be why anyone who believes in compulsory Social Security would simultaneously try to save and invest in a private pension or retirement annuity or life insurance program. The success of the one type of program is contingent upon the discrediting and destruction of the other. To the extent that Social Security and related subsidy programs succeed in confiscating private property—either openly and directly, or by the hidden processes of continuing inflation and erosion of savings—then private insurance programs and other claims payable in fixed numbers of dollars must tend to become worthless.

By the same token, if the salesmen of private life insurance and other pension and retirement annuity and savings programs hope to continue to find willing customers for their wares, it behooves them to labor effectively now and forever to halt the processes of confiscation and death inherent in Social Security and similar diseases of compulsory collectivism. Otherwise, buying insurance will be just as bad a risk as paying Social Security taxes. ♦



20.

Meliorist Economics

CLARENCE B. CARSON

THE FLIGHT from economics prepared the way for government intervention in what would otherwise be economic matters. It involved, primarily, claims that an abundance of goods and services existed, either actually or potentially. If this were so, it would be possible for government to intervene and redistribute these, for force can be used to confiscate and dispose of property. But such claims would not provide justification for action. Even the existence of abundance does not indicate that redistribution is in order. However, along with the flight from economics has gone the development of a pseudo-economics,

an "economics" which purports to show that free economic activity leads to contradictions, that to remove these contradictions government action is necessary, and that certain kinds of actions can be taken which will have the desired effect. Such pseudo-economic theories are here called meliorist economics.

It should be noted, however, that the phrase, "meliorist economics," is used for historical reasons and consistency, not because of its descriptive accuracy or aptness. Throughout this work, meliorism refers to the view that government intervention can improve conditions for people. Meliorist economics is an "economics" which purports to justify government intervention in an economy and show how it can be done so as to improve the material well-

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in THE FREEMAN were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

being of people generally. This latter usage of the term—to modify economics—is not commonly employed, if it has ever been used in this way before. It is, however, consistent with the practice in this work of referring to reformism in general as meliorism.

. . . But It Wasn't Economics

The term, "meliorism," was adopted by some reformers within the context of controversies of the latter part of the nineteenth century. Most of the influential economists and social thinkers of the nineteenth century had held that government intervention would produce evils rather than cure them. Karl Marx, along with revolutionary socialists in general, held roughly the same position, though for different reasons. In addition to these views about an ameliorative use of government, social Darwinists held that men could not alter the course of evolutionary development, and that government intervention would fail in any attempt to tamper with evolution. Meliorism, running counter to all these views, insisted that government could be used to improve conditions.

In this context it is quite correct to refer to proponents of government intervention as meliorists. In like manner, it is proper to refer to theories in an economic vein

along these lines as meliorist economics. It should be made clear, however, that in essence such economics is *not* ameliorative, nor is it in essence economics. Instead, it consists of theoretical and ideological justifications for using the power of government to take from some and give to others. Understood rightly, it consists of more or less subtle attempts to legalize theft.

A little basic economics should make this clear. Economics has to do with increasing the supply of goods or services with the smallest expenditure of materials and energy. For an individual—and economic action is, in the final analysis, the action of an individual or a group of individuals—economics is of importance to him to the extent that he wishes to conserve his supply of materials and energy and increase his supply of goods and services.

There are two ways for an individual to augment the goods and services at his disposal. (1) He can produce or provide them for himself. (2) He can acquire them from others. Again, there are two ways for an individual to acquire them from others. (a) He can acquire them by exchange (which would include gifts, though what is exchanged may be different in character from what is obtained). Or (b), he can take them from

someone else who possesses them. This latter method is the one that is the chief concern of meliorist economists.

Theft and Enslavement Inherent in Compulsory Exchange

Everyone understands that when one individual uses force or fraud to take goods from another, theft is involved. When an individual uses force to make another serve him, it is called slavery. But it is not generally understood or accepted that when meliorist economics is applied in society, theft and slavery are entailed.

In the main, this lack of understanding can be attributed to the indirectness, the subtlety, and the sophistry of the methods of meliorist economics. Men are led to believe that public approval somehow changes the character of an action, that confiscation of goods by publicly elected officials is not theft, that the democratic process can be used to legitimize acts which are in themselves illegitimate. Men do not readily understand that the protective tariff is, in effect, the taking of wealth from the consumer for the supposed benefit of the producer, that antitrust suits are subtle assaults upon property, that inflation is a surreptitious theft of money from those who have it or have it owed to them, that compulsory unionization le-

galizes the taking of money from some by others, that minimum wages and maximum hours are attempts to take from some what is rightfully theirs and give it to others, that to take wealth from some portion of the population and bestow it upon some other portion under the guise of welfare is not even a very subtle form of thievery.

The story thus far, in this work, has been an attempt mainly to explain how men's minds were prepared to accept such things without recognizing them. Men have been taught to take their eyes away from the nature of things and to focus upon the purported object or end for which an act has been performed. They have been taught that it is the motive that counts, not the consequences of the act. They have been taught that morals – and even the language used to describe them – are relative to a given society. If this were so, only that which the generality of men understood to be theft would be theft; only that which was recognized as slavery would be slavery. If the majority voted for a measure, or for those who proposed a measure, this would be indicative of its conformity to morality. After all, one may argue from such premises, whatever the majority accepts as right is *ipso facto* right.

**Robbery Is Antisocial; One Man's
Gain is Another's Loss**

Morality aside, and speaking strictly in terms of what may be *economical for an individual*, robbery could be quite economical. By stealing, an individual can greatly augment the supply of goods and services available to him with only a very little expenditure of energy and materials. A bank robber may spend half an hour using a twenty-dollar gun and enrich himself, say, to the extent of \$20,000. Of course, such usage is an abuse and perversion of the conventional term "economy." Economics, as it comes to us from the classicists, is a social study, not an antisocial one. It has to do with what may be economical not only for an individual but for all other men as well. The bank robber increases his supply of goods and services at the expense of those of other men. Moreover, he may actually reduce the general supply by the threat he poses to trade and the loss of incentive men have to produce when they are uncertain that they will be able to keep the rewards of their labor. For these reasons, theft has not been considered economical. Of course, in most societies such penalties have usually been attached to the practice as to make it uneconomical.

The point is important, how-

ever, for understanding what happens when meliorist economics is applied within a society. Individuals do not cease, so far as their understanding goes and as a rule, to behave economically in their own affairs. Indeed, a new prospect for "economic" behavior is opened up, for certain kinds of theft are legalized. Men may benefit at the expense of others with impunity in certain definite areas. That such behavior is uneconomic socially, plus being immoral, will not hinder a great many men in their conduct, for what they are doing may well be socially approved.

An example from the contemporary scene of behavior that is "economic" for the individual at the expense of others may clarify the point. Suppose one is a cotton farmer. The price of cotton is held higher than it would otherwise be by a subsidy. The subsidy is paid by tax monies, at least temporarily. There is a "surplus"—that is, more than can be sold at this artificially high price—of cotton. The farmer will likely make his decision as to whether to grow cotton or not in terms of its profitability when the subsidy is added to the market price. It would be economic for him to do so, although socially the effect would be to add only to the "surplus" and the general tax burden. His profit

would be got at the expense of others.

Vying for the Spoils

The system which results from the application of meliorist economics is one in which men are pitted against men and groups against groups for the spoils made available by redistribution. There has been a concerted effort in the United States to move this contest into the political arena and to get men to accept peacefully the decisions made there. The art of politics becomes the art of guessing rightly about which group to appease at what moment in order to keep the uneasy peace and maintain political power. The portion of spoils to be handed out to any given group must be continually adjusted to take into account both the temper of the group involved and its leverage in maintaining a majority for the politician and party in power. The story of such maneuvering is largely the story of politics in America in the twentieth century.

Meliorist economics is the body of pseudo-economic theory which purports to justify such a system and provides the politician with the methods for establishing and maintaining it. The true nature of these activities is largely concealed behind a cover of words which not only obscures what is

going on but reduces discussion of economic matters to high-flown gibberish. The gibberish is then ascribed to the intricate complexities of our times. The general flight from reality prepared the way for the wide acceptance of such obfuscations, and socialists added confusion to nineteenth century economic thought by turning the traditional economic concepts to their ends.

All Schemes Rest on Monopoly

A casual examination of meliorist economics might lead to the conclusion that there are a great diversity of economic conceptions involved. Indeed, names have been given to a number of schools of economics: e. g., socialist, historical, revisionist, Marxist, institutionalist, Keynesian, and so forth. But most, or all, of these schools have a common denominator; they have a common conception from which they start or with which they end. Of course, they share the conception that the "system" — i. e., capitalism — has internal contradictions which lead to dire consequences. But back of this is a key conception which purportedly accounts for these contradictions. The key conception is *monopoly*. In the later part of the nineteenth and in the early twentieth century, reformers saw monopoly under every bed, as it were.

There were transportation monopolies, industrial monopolies, land monopolies, money monopolies, and trade monopolies. The formulation of these conceptions ranged from Karl Marx's view that the private ownership of the means of production led inevitably to a class monopoly of production to John Maynard Keynes' subtle notion that profit taking and saving led to shortages of investment money which, in turn, produced depression. However remote these ideas may appear to be from it, they are rooted in a conception of monopoly, and amelioration is to be achieved by breaking up the monopoly.

An Exclusive Privilege

Monopoly is a very slippery word; therefore, it must be handled with care. It is derived from the Greek, and means, etymologically, the exclusive right of sale. However, it had a much narrower connotation than this in earlier conventional English usage. An article in the *Encyclopaedia Britannica* says, "The term monopoly, in its early usage, was applied to grants from the Crown, to a favourite or as a reward for good service, of the exclusive right to manufacture or sell particular classes of goods." One *American College Dictionary* indicates that this has now become its second-

ary meaning. In this sense, a monopoly is "an exclusive privilege to carry on a traffic or service, granted by a sovereign, state, etc." An unabridged dictionary calls this an artificial monopoly, which it defines as "an exclusive right granted by a government for the exploitation of anything."

Odium was first attached to this kind of monopoly. But even this development has a history. Initially, in the sixteenth and seventeenth centuries, odium was assigned mainly to the arbitrary grant of monopolies by the monarch. There was an attempt to remove this by taking the power of granting monopolies away from the Crown and vesting it in Parliament. Americans and Englishmen generally accepted the propriety of legislatures granting monopolies in the seventeenth and for much of the eighteenth century. However, by the time of the War for Independence there was considerable resistance to all such monopolies. The resistance continued to mount in America, and by the middle of the nineteenth century, monopolies were among the most generally despised of all human inventions.

A Perverted Terminology

It was at this juncture that socialists began to becloud the issue with their confusions. They ex-

propriated the odium attached to government-granted monopolies and applied it to monopoly in general, in the etymological sense of the word. It is easy to see how the term could be ambiguously used to bring all sorts of things under condemnation. By the original definition of monopoly—the exclusive right of sale—all private property is a monopoly of its owner. In this sense, every man who owns anything, whether it be a factory, a house, a barn, land, an automobile, or a pocket knife, is a monopolist. Every free man is a monopolist, for he has the exclusive right to sell his service. Indeed, it is this right, and this monopolistic condition, which separates free men from slaves.

Socialists have been bent, of course, upon breaking up monopolies, or, more clearly, abolishing private property. But they were notoriously unsuccessful in selling this idea to the generality of men in their early attempts. Most men were not particularly taken with the notion of giving up their private property; and when they had the opportunity to vote upon the matter, they turned down such schemes unceremoniously. Socialists generally found it advantageous to narrow down their assaults upon property to certain kinds, to use “monopoly” in a more specialized sense, and thus to di-

vide the populace on the question of property. At any rate, gradualists have not usually attacked property directly; they have, instead, attacked what they have called monopoly.

The Power to Fix Prices

A new definition of monopoly was promulgated in the latter part of the nineteenth century. It has since become a part of our language and serves as a lens through which most people see the matter. The *Encyclopaedia Britannica* says, “In its modern usage the term monopoly is applied to the advantage accruing to any undertaking or associated group of undertakings which has the power, however acquired, of fixing the price of its goods or services in the knowledge that those who need them cannot get them in adequate measure elsewhere.” One dictionary gives the following as the first meaning of monopoly: “exclusive control of a commodity or service in a particular market, or a control that makes possible the manipulation of prices.”

By these definitions, the existence of a monopoly appears to hinge on two things: that there be but one effective seller of a commodity or service in a given market, and that this will enable him to fix or manipulate the price. (For purposes of discussion, the

vagueness of such phrases as "commodity or service," "particular market," and "manipulation of prices" in this context may be ignored.) If such a condition were to exist, it probably could be recognized. If it be considered reprehensible, if it be a matter for legal action, the most fruitful approach for dealing with it would be to seek out its sources.

Two Types of Monopoly: Governmental or Private

There are, in reality, only two sources of such monopolies: government grant or establishment, and private ownership. Other sources are sometimes named, but upon careful examination it can be shown that they do not meet the above requirements or do not exist. Some writers refer to an efficiency monopoly. This is a case where there is only one supplier of a good or service, so that it meets one half of the requirements for a monopoly. But it is a condition of its continued existence that it does not manipulate prices to any significant degree. If it raises prices appreciably, other suppliers can enter the market successfully.

The other type of monopoly frequently referred to is a natural monopoly. The phrase itself is ambiguous. One dictionary defines a natural monopoly as "a monopoly arising from the possession of a

part of the earth's surface, having a natural resource or resources." But this is indistinct from a definition of private property in land. More commonly, a natural monopoly is understood to be one in which by the nature of things there can be only one supplier of a good or service in a particular market. It is often alleged that the provision of telephone service in a particular locale is a natural monopoly. In the first place, however, "service" is ambiguous in this usage. Is the service the providing of a telephone or of communication? If it is communication, telephone service has no monopoly. One may communicate by mail, by telegraph, by radio, or go in person. But even if the uniqueness of the telephone as a means of communication be taken to signify that it constitutes a separate service, its actual monopoly status is not natural. It rests upon two foundations: government franchise and private property. These are the twin sources of all monopoly.

It is not clear, however, that private property meets all the requirements to be classed as monopoly by the contemporary usage of the word. Etymologically, private property is a monopoly, for it is the essence of private property that the owner has the exclusive right to sell it. But in modern

usage private property is not a monopoly. No man, or group of men, *owns* all of a commodity or service which can be sold in a particular area. No man or group of men does or can own all the means of communication, of transportation, of serving in a community unless all men are his slaves, and that could only exist by the exercise of government power. By the very nature of things, no man can own all of a particular commodity and manipulate prices at the same time. Price is something that can only be determined after the sale of articles. Once an article has been sold, the original seller no longer has a monopoly. It is true that a man might have a monopoly of the sale of a commodity in that no one else would be permitted to sell it, but that would be a matter of law and government prescription.

It follows, then, that the modern usage of monopoly only *appears* to differ from earlier usage. The reprehensible characteristics of monopoly — that is, the exclusive control of a commodity or service which enables one to fix or manipulate prices — apply only to something that has been granted, established, or prescribed by government. Anyone who doubts this should examine carefully into the sources of the ability of any seller

of goods or services to fix their price. He should trace out the lines that lead from the seller to the government and find what it is that enables the seller to fix his price. The government action may be very subtle, as in the case of a protective tariff, or it may be very plain, as in the case of minimum wages or rate regulation. But it is always there.

An Assault upon Property

Nonetheless, meliorist economists have quite often referred to what can happen when men use private property to produce goods and from which to provide services as monopoly. Usually, only that seller who has garnered a substantial portion of the market is referred to as a monopolist, or as being "monopolistic." To break up such "monopolies," the meliorist proposes that they be divested of some portion of their property, that the rights of property be circumscribed, and/or that the government regulate the use of the property. Thus, the attack upon monopoly becomes an assault upon property, though not all property immediately comes under the gun.

The amazing feature of this is that such action usually produces the substantive evil it is supposed to prevent. The evil of monopoly is the possibility it affords for fixing and manipulating prices so

as to "charge what the traffic will bear." The regulation of "monopolies" eventuates in the fixing and manipulating of prices *by government*. For example, in the latter part of the nineteenth century, railroads were pictured as giant monopolies gorging themselves on a defenseless public. In order to regulate them effectively, politicians were finally convinced that they must establish rates. The government then began to fix and manipulate prices, that is, to impose the conditions of monopoly upon both sellers and buyers. As to whether these rates were as high as the traffic would bear, the indications are that they have frequently been more than much of railroad traffic would bear, for they have lost much of it. In recent years, railroad managers have fought an uphill battle to get at least some of their rates lowered.

Governments cannot intervene to prevent monopoly; when they intervene, they create monopoly, or the effects of it. It is the failure to understand, accept, or admit this that constitutes, in considerable part, the flight from reality of meliorist economists.

The Face of Socialism

Viewed as a school of socialism, and that is what it is, meliorism can be defined in yet another way. It is the view that the instruments

of government which have been inherited in the political system can be turned to the purpose of wresting economic power from the hands of those who possess it (the monopolists) and placing it in the hands of the "people." Meliorism is the face that gradualist or evolutionary socialism has worn in America, though it has usually been called liberalism in the twentieth century.

Its opposite in the socialist camp is Marxian (or revolutionary, or communist) socialism. Marx appears to have believed at the time of the promulgation of the *Communist Manifesto* (1848) that the regular instruments of government, in the right hands, could be used to bring about socialism gradually. But after the abortive Revolutions of 1848 he turned toward the view that the system must be destroyed first, that government was an instrument of capitalists, that they would never tolerate its use to undermine their system of exploitation (as he described it).

On the other hand, meliorists have held that violent revolution is unnecessary, that the desired course of change will occur peacefully, gradually, and in an evolutionary manner. Most have held that this process of change can be consciously directed; but they have generally insisted, too, that for it

to work it must be in keeping with evolutionary trends. Meliorist economics has been concerned with how to use the instruments of government to bring the economy into line with the course of evolution and/or produce the desired changes.

Some Leading Characters

There is a huge body of literature that could be classified as meliorist economics. Undoubtedly, it would take a fair sized building to house the volumes that could be assembled to make a library of it. Even a list of the names of the more influential of such writers upon American thought is rather formidable in length. It would include Francis Amasa Walker, Simon N. Patten, Henry George, John R. Commons, E. R. A. Seligman, Richard T. Ely, Thorstein Veblen, John Maurice Clark, Paul H. Douglas, John Maynard Keynes, Stuart Chase, Adolph A. Berle, Gardiner C. Means, Wesley C. Mitchell, Rexford G. Tugwell, Sumner H. Slichter, John K. Galbraith, Paul A. Samuelson, and Seymour E. Harris, among others.

These and other such writers have not always called what they were writing about monopoly. Some have, and some have not. They have called by a great variety of names the ill that is supposed to beset America: they have called

it overproduction, underconsumption, absentee ownership, technological unemployment, finance capitalism, oligopoly, maldistribution, economic royalism, underinvestment, imperfect competition, industrial wastemaking, unearned increment, social surplus, industrial depression, recession, the end of the frontier, a mature economy, corporate domination, and economic disequilibrium. But when the tangle of rhetoric has been unwoven, when the tree of meliorism has been surveyed as a whole, when the branches have been traced back to the trunk, when the trunk has been followed to the root, it becomes clear that meliorist economics is rooted in the conception of monopoly.

The Land Monopoly

This can be examined from several angles. It can be shown by examining the thought of meliorist economics. The classic case of a thinker proceeding from the concept of monopoly to a meliorist position is that of Henry George, and he was also one of the first to have any considerable impact.

George's thought proceeded along the following lines. In the first place, he believed that industrial progress was resulting in increasing poverty. The cause of this, he held, was that individuals were deriving profits which should

accrue to society. These profits came as a result of the private ownership of land. Land, he reasoned, does not naturally belong to any of us; it was something that was here primevally, and here for all men to use. But some have acquired exclusive possession of it, by whatever means, and employ it to their advantage at the expense of the well-being of all. They take away from society the return from the employment of land, and they keep lands out of use for speculative purposes, thus depriving men of the right to put the lands to economic use. (One of his underlying premises is that lands are not being economically exploited.)

He proposed that the problem could be solved by government intervention, that the government be financed by a single tax, that the tax should take all that accrues to a man from the land itself, as opposed to that which is a product of the labor of the landholder. Not only that, but the tax should fall on unused lands as well. He thought that this would result in the opening up of these lands to economic use and the amelioration of the material conditions of men generally. In short, George's diagnosis of the cause of the ill was land monopoly, his prescription was government intervention by way of the single tax, his prog-

nosis was a general improvement in the well-being of the populace.

If we ignore the difficulty of calculating what part of a man's return can be attributed to his labor and what to his land, a difficulty somewhat akin to the one faced by Jonathan Swift's scientist who was attempting to extract sunbeams from cucumbers, and assume that the differential could be calculated, it still does not follow that economic results would be obtained. With the imposition of the single tax, all advantage to holding title to land would disappear. Not only that, but it would be disadvantageous to hold title to unused land. It stands to reason that if the owner of unused lands could have employed them to his profit before the imposition of the tax he would have done so. The tax would detract from, not add to, his incentives to use the lands productively. The chances are good that the lands would soon be offered at public auction to satisfy the tax claims against them. But that there would be buyers is most unlikely. The risks of holding title to land, even that which at the moment would be productive, would be considerable, and the advantage none. In consequence, all land might be expected to come eventually into the hands of the government. That governments can or will employ

lands economically is something of which past experience offers no assurance. The method of meliorist economics is epitomized in the thought of Henry George: the location of the flaw in the system, the proposal of government intervention, the promise of amelioration, the assault upon property, the eventuation, if put into practice, of a giant overweening monopoly.

Veblen's Influence through the Institutional School

Henry George showed the way. Many reformers read and were influenced by him. In general, though, they abandoned the specifics of his analysis and prescription while keeping the abstract of the method. Thorstein Veblen was much more influential in specifics. In the main, his was an adaptation of the Marxian analysis into an evolutionary framework; he no longer perceived any necessity for violent revolution. He was the early leading exponent of the institutionalist school, which has been the most virulent branch of meliorism in America. To Veblen, economic activity takes place within, can be understood in terms of, is a reflection of, and is driven by institutional arrangements. Institutions are a product of a long, and largely unconscious, evolutionary growth. They are undergoing continual change, and the

task of men is to adjust their practice to the course of historical development. Veblen was the precocious product of that view of reality as consisting of change, society, and psyche, a contemporary of Lester Frank Ward and John Dewey, and an applier of their shared notions to economics.

For a good many years, mainly in the first quarter of the twentieth century, Veblen turned all the acid contained in the English language, both received and invented, to the task of satirizing the economic system. The system was a fit subject for satire, if Veblen's analysis was correct. It was shot through with anachronisms. The major anachronism was the profit of capitalists. These got the profits of production and distribution but no longer contributed to it. The business of production and distribution had been engrossed by corporations, almost exclusively. These, in turn, were managed by specialists who were technologists.

The day had arrived when the capitalists could have been dispensed with and the businesses run for the many rather than for the few, but capitalists continued to receive their ill-gotten gains as a result of the outmoded institutions which prevailed. To put it bluntly, the institutions of private property enabled capitalists to

hang on to their "pecuniary gains" which resulted from government protection of what amounted to a monopolistic position. Actually, the corporation was not private property at all; it was a public creation, which, if men were consistent, would be used for the benefit of the public. This would happen, Veblen thought, when the technologists took over entirely and the stockholders were cut away. Veblen did not claim to know how this would come about; all that he could say for sure was that the course of economic evolution had just about reached the point where it would most certainly occur.

Disciples and followers of Veblen were not slow to find means to advance the public takeover. Meliorist economics then branches out into the particular analyses of the assorted ills that are supposed to arise from an economy based upon private profit—of the exploitation of workers, of sweatshops, of depression, of declining farm prices, of inevitable increases in farm tenancy, of wastefulness of natural resources, and so on—and the numerous proposals for amelioration: the establishment of minimum wages, maximum hours, stock market regulation, corporate tax, organized labor, and so forth. In short, means are advanced for taking away from owners of prop-

erty the control of it and a large portion of the profits from it.

Cycles and Counter-Cycles

One other such analysis may be given as an example. Wesley C. Mitchell was mainly influenced by Veblen. He turned his attention to business cycles, and wrote extensively about them from 1913 into the 1930's. He held that business cycles, at least modern ones, were a phenomenon of an economy based upon profit. He analyzed the business cycle and described its various phases, starting at the depth of depression. What spurred the economy, he thought, was growth in population, depletion of products, and increasing demand, plus new investment. Investment led to profits, and the possibility of profits led to optimism and increasing investment. Prosperity could not be maintained indefinitely, however, because other things did not keep pace with investment and because technological innovation produced disequilibrium. Wages did not rise as fast as production; technology produced unemployment both directly and indirectly because some producers would be stuck with old equipment. Profits would fall off; overproduction might result; distributors would have large inventories; demand would decline; investment would decrease; depres-

sion would come again. In the main, he proposed that government should intervene in such ways as manipulating the money supply so as to maintain prosperity.

While this analysis does not appear to hinge upon monopoly, a more careful statement of the theory which would support it would indicate that profits are a corollary of private property and that the basic flaw in the system is the uncoordinated management of the economy that results from the dispersion of property. He proposed (or predicted) increasing governmental planning to maintain an equilibrium. In short, he advocated the circumscription and regulation of private property so as to maintain prosperity.

The Pattern of Legislation Aimed to Curb Monopoly

Legislation over the years spawned by meliorist economics may demonstrate even more clearly that it was aimed at breaking up monopolies. The Interstate Commerce Act was designed to prevent the supposedly harmful effects of railroad monopoly of transportation. The various antitrust acts were attempts to circumscribe monopolistic activities. The Federal Reserve System was supposed

to break up the Wall Street money monopoly. Minimum wages were supposed to circumvent the harmful effects of the monopoly of employment activities which employers are supposed to have. Federal provision of electrical power was supposed to provide a yardstick for determining what proper competitive prices of electricity should be. Government supported loans at low interest rates are supposed to remove the harmful effects of private banking. So it has gone, from activity to activity and from industry to industry.

This supposed assault upon monopoly, though it was justified under many guises, has been, in fact, an assault upon private property. It has taken away, or severely circumscribed, the rights that belong to private ownership of property. It has brought more and more activities under the surveillance and direction of government. It has introduced the harmful effects of monopoly into all areas of life. Government agencies now fix and manipulate prices of all sorts of things, from wages to rail rates. Theft has been legalized, for the rights of property have been taken without compensation, and monopoly pervades American society. ♦

The next article in this series will discuss "The Bent to Destruction."

2 PHILOSOPHIES OF FREEDOM

KENNETH W. SOLLITT

THERE ARE in America today two diametrically opposite philosophies of freedom.

The first is the philosophy that brought our forefathers to America. They sought freedom to worship as they pleased, to speak and write as they pleased, to work where they pleased at whatever work they found pleasant and profitable, and freedom to enjoy the rewards of their labors. They wanted the right of self-government and social and economic self-determination. They asked for only such security as they could create for themselves and each other through the free exchange of goods and services augmented by such charities as were necessary. And storms at sea, severe winters, poor crops, hostile Indians, impenetrable forests, vast prairies, unspanned rivers, or

burning deserts could not quench their thirst for this kind of freedom. Because of it, our forefathers hacked and blasted, molded and sculptured this country into the great nation that it is.

Ours is a philosophy of freedom that says a man ought to be free to do as he pleases up to the point where what he pleases to do interferes with his neighbor's equal right. At that point he must halt or alter his course. If he pleases to do this of his own free will, he remains a free man. If he doesn't, he has his freedom taken away from him by forces he himself has created to govern his society.

This, very briefly, is our historic American philosophy of freedom. It is based on the Judeo-Christian belief in the sacredness of human personality, the conviction that freedom of choice was bestowed upon man at the beginning by God, and that no man has

The Reverend Dr. Sollitt is Pastor of the First Baptist Church, Midland, Michigan.

the right to rob another man of his integrity as an individual, or his God-given right of free choice, unless and until he becomes a menace to society.

Freedom from Choice

However, for some thirty-five years now another entirely different philosophy of freedom has been evolving—the philosophy that freedom is no longer *for* something, like “life, liberty, and the pursuit of happiness,” but freedom *from* almost everything, like “want, worry, and war,” and work, too, if possible.

Richard LaPiere in his book, *The Freudian Ethic*, credits Sigmund Freud with having much to do with the development of this philosophy, and shows, rather convincingly I think, how out of it has grown our tendency toward permissiveness in home and school, the coddling of criminals, and political maternalism in all its forms. This doctrine of “social irresponsibility and personal despair,” as he calls it, has, he believes, led us to cease to want freedom as we have always known it, and to seek instead freedom from responsibility and involvement. And there is much evidence that he is right.

Perhaps this new philosophy of freedom is best expressed by one of the characters in Ayn Rand’s

novel, *The Fountainhead*. In this book a character says, “The basic trouble with the modern world is the intellectual fallacy that freedom and compulsion are opposites. . . In essence, freedom and compulsion are one.” To illustrate this her character points out how traffic lights restrict our freedom to drive as we please, but at the same time they protect us from being hit by a truck. So, he reasons, “if you were assigned a job and prohibited from leaving it, it would restrain the freedom of your career. But it would give you freedom from the fear of unemployment.” And he goes on to say that “whenever a new compulsion is imposed upon us, we automatically gain a new freedom.”

So, he concludes that “only by accepting total compulsion can we achieve total freedom.”

Most of us would agree with Ayn Rand herself that this is not freedom in any realistic sense. But more and more people every day are consciously or unconsciously absorbing this philosophy. Sometimes even patriotic Americans returning from military service, after getting their first taste of having to make decisions for themselves in the business world, actually prefer freedom *from* decision-making to freedom *for* decision-making.

In any case, we are fast losing

our identity as individuals. We have grown to feel that the individual is no longer important and that to achieve anything we must join and run with the pack—that is, the labor union, or the industrial association, the freedom march, or the campus demonstration. As a consequence, our opportunities for responsible choice-making are being reduced almost daily. Practically every law passed makes us more dependent upon government. And since the government is dependent upon us as wage-earners, our jobs become prayer-rugs on which we prostrate ourselves with our faces toward Washington praying to those who have preyed upon us to take care of us who are now irresponsible wards of a welfare state.

And are not promises more pleasant than responsibilities, and dreaming a pleasanter pastime than decision-making? Send someone else into our fields. Bring us our tranquilizers and let us relax until the next hour of prayer. At last we are free! Free of responsibility for ourselves (which breeds laziness), free of consideration for others (which breeds lawlessness). We are free! Free of freedom itself!

Security May Betray Us

Forgive me for overdrawing the picture. Things aren't this

bad . . . yet. But are we not moving in this direction? And isn't the trend due in large measure to a reversal of our historic philosophy of freedom? We have ceased to want "freedom *for*" so much as we have wanted "freedom *from*," so we have sacrificed the former to those who have promised us the latter. In reality we have not wanted freedom at all, but security.

We have ceased to see freedom as freedom "*from* control" and have thought of it as freedom "*by* control," and usually we have thought of it as the control of somebody else for our benefit. We knew that if we did this with bullets in a gun, it would be wrong but imagined that if it were done with ballots in an election, it would somehow be all right. So we asked, or at least allowed, our politicians to rob our children by indebtedness and our old folks by inflation on the promise that our children and old folks (and ourselves) would be protected from (in fact prevented from) taking care of themselves. Thus, we become more and more dependent upon government and in the process have built up a government that is almost omnipotent—a government which, by destroying man's initiative while at the same time increasing his appetite for handouts, is in for an increasingly

difficult time. It can never take from us enough to give us back all we think we ought to have. Draining off savings and drying up the wells of initiative is the exact opposite of capital formation on which productivity rests and on which relief from poverty depends. There is nothing formative, productive, or creative about robbing Peter to pay Paul.

But cheer up! We are on the road to "total freedom" which the character in Rand's novel assures us is to be found in accepting "total compulsion."

Rising to the Challenge

One thing bothers me though. Since human beings are no longer willing or able to make decisions for themselves, aren't we someday apt to run out of little gods capable of making all the decisions for everybody?

And another thing bothers me, too. When everybody is living off the government and nobody is supporting it, what kind of a living will it be?

What has brought about this reversal in our philosophy? Probably not the argument from the analogy of the traffic light. This might influence some pseudo-intellectual, but most Americans with intelligence enough to understand such sophistries see through them. Perhaps we can blame some of our

predicament on Sigmund Freud. The free dissemination of communist propaganda by all kinds of pinks and punks in high and low places may be responsible, as is often charged.

But I think the real reason goes deeper.

For the most part, we humans do not exert ourselves beyond the demands of necessity. The necessity to fight for freedom seemed to disappear when we appeared to have what we had fought for — a home on the range, a good living, a republican form of government, isolation from the problems of Europe and Asia, churches, schools, libraries, baseball diamonds, hot dogs, and service clubs.

But then came the great depression. And our jobs, our homes, our fortunes were no longer secure. And there were no new frontiers farther west. Our frustration was complete. Whatever was to be done would have to be done by and for the whole country at once. This required organization, lines of communication and powers only government could provide — and that only after the people granted government those powers.

Roosevelt declared in 1938: "*Government has the definite duty to use all its powers and resources to meet new social problems with new social controls.*" In our desperation we accepted this as a na-

tion and have been elaborating on it ever since.

For the first time we had a government organized to "give to him that asketh," and we have found it easier to go on asking than to return to doing for ourselves. In this we were doubtless aided and abetted by Freud and characters like the one in Rand's novel, by communists, socialists, and the like, but the thing that has thrown our philosophy into reverse has not, in my opinion, been any one thing, or any one person, but a combination of many persons and things.

Principal among these things, however, was our feeling of helplessness when caught in a nationwide economic disaster, followed by an experience of being helped at points by a benevolent government which got us "hooked" on political pabulum. Politicians have found it profitable to take from those who have and give to those who have not. And the recipients have found it easy to vote for more of the same, until our whole philosophy of freedom has been reversed.

Second in importance is the fact that up until now it has worked pretty well. We have never had such affluence; hence, such apathy. We like to imagine this can go on forever. We haven't realized yet that to make a government strong

enough to give us everything we want, we must make it strong enough to take from us everything we have, including freedom as we have always known it; and there are thousands who have never known the former kind of freedom and have no appetite for it. Thousands are willing to give up this old-fashioned freedom which they cannot comprehend for the new freedom from responsibility which they find so comforting.

Soon an irresponsible people may find it difficult to find among their numbers responsible leaders. Demagogues there will be aplenty. But an irresponsible society can hardly be expected to spawn responsible leadership.

Well, what can we do about it?

By Precept and Example

The last thing we want to do is to say there is nothing we can do; this is to join the irresponsibles.

So the first thing we ought to do is to resolve to be, insofar as possible, a part of the cure instead of a part of the disease, a part of the solution instead of a part of the problem. How can we become part of the solution? We can at least study our concepts of freedom from different points of view: social, economic, political, psychological, ethical, and so on. And we can still listen to those who are trying to sell America to Ameri-

cans and join them in the sales promotion, for we have something unique here we have not yet entirely lost.

We can help people, including our children, to re-examine such things as the present popular myth of equality, pointing out that men are not equal merely because they are born by the same biological process. They should be equal before the law because we respect the sacredness of person-ality. They should have equality of opportunity. But beyond that, whether they are equal or not depends on what they do with their opportunities.

We need to help shift the emphasis from equality to justice and to help people see that justice is utterly disregarded when the relationship between effort and reward is obliterated, or reversed, as when under the banner of "equality" the man who works is robbed to pay the bills of another who won't. If he can't work, that is, of course, a different matter.

Let us help people re-examine the "from-each-as-he-is-able-to-each-as-he-has-need" approach to

sociology and economics in the light of psychology and ethics, and the "greatest-good-to-the-greatest-number" theory in the light of what it does to people as well as what it does for them.

Let us help them get a new look at the theory that there are so-called "human" rights that are greater than "property" rights, and ask them what human rights are enhanced when property rights are interfered with? And what human rights are safe where property rights have ceased to be respected?

Let us help people re-examine the morality of buying votes with social programs, and the ethics of going through every revolving door on somebody else's push.

Above all, let us teach our children by both precept and example one maxim about freedom. It is this: that *no man is ever free to do that which — if everybody did it — would spoil society*. For it is the disregard of this maxim by self-seekers of every kind and description that is spoiling our society today. ◆

IDEAS ON LIBERTY

James Russell Lowell

Being forced to work, and forced to do your best, will breed in you tolerance, self-control, diligence, strength of will, content, and a hundred other virtues which the idle never know.

“ Am I my brother's keeper?”

A Note on a Commonly Misunderstood Text

HERBERT S. BIRD

THE BOOK OF GENESIS informs us that Cain, Adam's first-born son, overcome by a delirium of jealousy, murdered his brother Abel. The account continues: "Then the Lord said to Cain, 'Where is Abel your brother?' He said, 'I do not know; am I my brother's keeper?'"

The story, as it unfolds, indicates that Cain soon became aware of some of the immediate, personal consequences of his desperate act. And it is likely that, as the years passed, he began to realize that his treatment of Abel would influence, for the worse, the lives of many yet unborn. But it never occurred to him that one, almost minor, detail of the story of his crime and its punishment — his flippant alibi, "Am I my brother's

keeper?" — was destined for a prominent place in the socio-theological moralizing of an age far removed from his own.

"Am I my brother's keeper?" The words, or some allusion to them, are high on the list of sayings most frequently employed from the pulpit or in the religious press. And, along with more than a few Biblical texts, they are applied in a sense they were never intended to have. Here the misunderstanding arises from the easy assumption that the only possible answer to this query is "Yes." To suppose any reply appropriate other than "Indeed, Cain, you are your brother's keeper" would be, to many, unthinkable. Hence, the expression is used to promote a wide variety of causes, many of them worthy, some of them, without question,

The Reverend Mr. Bird has been a missionary of the Orthodox Presbyterian Church in Ethiopia since 1952.

legitimate objects of religious or charitable interest.

But a faulty exegesis never brings unmixed blessings. Thus, unfortunately, there is a use made of the words, "Am I my brother's keeper?" which is by no means innocuous. For many a speaker or writer employs them nowadays, not to promote causes which are the proper business of the church, but rather to enlist the Bible in support of any number of coercive welfare schemes dear to the heart of the political liberal. A recent example of this very thing appears in a leading religious periodical, in an article intended to demonstrate that an omnicompetent welfare state is not only agreeable to Christian theology but is required by it. The writer observes, "Justice means that all men shall be treated fairly and equally. In practice, justice means that the poor must be protected from the rich, the worker from the employer, the widow and orphan from those who would prey upon them, the minority from the majority."¹ (It may be of more than passing interest to note that this, for its one-sidedness, has nothing in common with the Biblical idea of justice. Moses' words are: "You shall do no injustice in

judgment; you shall not be partial to the poor or defer to the great, but in righteousness you shall judge your neighbor."—Leviticus 19:15.) The same article then goes on to assert, "In the world in which we live today, we are all responsible for each other. More than ever, I am my brother's keeper. And to fulfill our corporate responsibility we need social legislation which will guarantee justice to all."

Murder Being the Most Uncharitable Act of All

Wherein lies the fallacy of such an application of Cain's question? Such a misuse fails to recognize what Abel's brother was really saying. This is not to seek to rehabilitate Cain's reputation: his attitude was indefensible, and because he knew that even as he spoke, his brother—through his fault—lay lifeless, his insolent disavowal of guardianship over him was sheer hypocrisy. But this consideration should not blind us to the real state of affairs when the question of the responsibility of one human being for another is before us. For clearly Cain was not asking whether he should show proper consideration for a fellow man, or whether he should refrain from doing violence to him. He was asking whether he was supposed to be his constant

¹ Francis D. Breisch, Jr., "Why I Am a Political Liberal." *Eternity*, XVI, 10 (October, 1965), pp. 24 ff.

guardian: whether Abel was answerable to him for his actions, whether he was required to keep Cain informed as to his very whereabouts. This was the intent of his question, and the answer to it is "No." For the Bible does not say that Cain was, in fact, Abel's keeper. It suggests, rather, that his delinquency consisted in his repudiation of the demands of brotherly love.

It may seem that to press such a distinction is an instance of that hairsplitting in which theologians are alleged to delight. "Very well," someone will object, "admitting that there is a difference between being my brother's keeper and loving my brother, what does it matter? Whatever the semantics, the practical results are the same."

But they are not. For to be one's brother's keeper implies just what Cain insinuated that it does—to supervise, in greater or lesser measure, another's life; to take it upon oneself to determine what is good for someone else; to override his liberty, and even his personality, in the interests of a social theory. To be one's brother's keeper is to control him. But the Biblical idea of brotherly love is something else again. It is a love

free of constraint. It is also a love which, far from being self-defining, is carefully delimited in the way in which it is to be expressed. And this has as little to do with the coercive welfare state as it has to do with the "love is everything" approach of the so-called new morality. For it is a love which works no ill to its neighbor, whatever that neighbor's position in life may be. Such a love may, indeed, be compelled to take to task the rich man who defrauds, but it cannot say to him, "In the interest of a just society, and in the name of the poor, whom I am protecting against you, I hereby confiscate such of your possessions as seem to me to be more than you need." Again, brotherly love will often require that the poor be helped in a material way. But it may also, at times, demand that some of the poor be told that if a man will not work, neither should he eat. The forcible redistribution of wealth, however, is not brotherly love (we do not speak of Orwellian "Big-brotherly" love). And to wish to be one's brother's keeper is as morally wrong as the liberty of the individual peaceably to order his own affairs is morally right. ♦

The Principle of Political Polarity

DANIEL K. STEWART

THE TRUE NATURE of a given government might well be considered within the context of individual freedom. Human freedom is maximized only where there exist genuine choices between differing ideas. Human freedom, of course, applies to areas of human interest other than political affairs — to art, to economics, to science, and so forth. But it applies to politics, too, with government providing the physical conditions within which the exercise of a choice between different political ideas can be made. Such political freedom is thought to yield good government and human happiness.

But physical conditions with respect to political affairs do not just come about on their own account. They begin as *ideas* in the minds of men. And in those cases where “the citizens at large administer the state, as Aristotle remarks, the “government is called . . . a constitution.” But we note

that constitutions are composed of laws, that such laws do not just miraculously appear, they are the consequences of ideas, and they indirectly prescribe the physical conditions permissible among the citizens of such a state.

Thus, while the laws of government aim to symbolize the good state and human happiness, it is quite apparent in the twentieth century that greater consideration must be given to what individual freedom means in general, and to what it implies for the true nature of given governments in particular. And this implication might fruitfully be pursued by considering the very opposite of individual freedom, namely, the negation of it — restriction.

In this manner, human freedom and restriction would stand as opposing end points on a continuum of ideas. They would be polar opposites. On the one end would be a maximum of differing ideas about a given subject, thereby providing a *maximum of choices* (freedom), while on the other end would be a minimum of differing

Dr. Stewart received his degree from Michigan State University in 1959, and is a former member of its faculty. Now in private industry, he is responsible for research in the sciences and arts pertaining to communication.

ideas about that same subject, thereby providing *restricted choices*. And where this continuum of ideas is about politics, it is reflective of what I would like to call *the principle of political polarity*.

A Matter of Choice

The principle of political polarity deals with the extremes of maximum choices between political ideas and restricted choices. Restrictions are represented by the laws of a government and, ideally, they are to be enforced without prejudice. In this way, as determined by their laws, governments will vary from complete freedom (i.e., allowing maximum choice) of the citizen to complete subservience (i.e., no choice) of the citizen.

As an illustration of this point, it is educational to observe a resolution introduced in the Michigan Legislature on February 3, 1965. It proposed that a "Section 10" be added to Article 2 of the state constitution. Section 10 reads: "Any elector who fails to vote in any state or national election in which he is qualified to vote, unless ill or excused as provided by law, is guilty of a misdemeanor and punished according to law." Instead of any elector being free to vote or not to vote at any state or national election, this resolu-

tion would declare, under penalty of law, that an elector is not free not to vote. His range of choice would be restricted.

If a given government is actually determined by the sharing of ideas by the voting citizens of what government should be, then the principle of political polarity refers to the quality and quantity of ideas on the nature of government possessed by these citizens. Political restriction, in this case, would refer to the voter not possessing certain ideas. This fact would prevent him from considering certain ideas together, and, in consequence, prevent him from forming certain judgments otherwise possible. And to the extent that this situation prevails for other voters, such citizens will constitute a voting block exercising restricted political judgment.

The point is that a given voter's mind possesses a limited quantity of political ideas as compared to the totality, class, or universe of political ideas. But, if certain ideas are not there, they cannot possibly be considered in conjunction with other ideas which are. Presumably, all of us have had experiences wherein if we had only known additional facts, we would have made different judgments.

What this condition implies for political freedom is this: to be free, man must have a truthful ex-

posure to opposing ideas. Where there exists a restriction (i.e., absence) of certain ideas, the possibility of forming certain ideational relationships is prevented, and, in consequence, certain judgments otherwise possible simply cannot occur. Freedom has been denied because the scope of man's reason has been restricted.

Maximizing the Alternatives

The principle of political polarity has immediate consequences, therefore, in understanding the nature of government and in providing a criterion by means of which given governments can be evaluated. It implies that the label any given government happens to wear from time to time in history is not necessarily a truthful description of its actual operation. Whether the government is called a "republic," or, to use Aristotle's analysis,¹ a "royalty," "aristocracy," "constitution," and their respective perversions, "tyranny," "oligarchy," "democracy" — these names bear no necessary relationship to the reality of existent political freedom. The test is whether the majority of laws are truly representative of the *ideas* of individual freedom. In their restrictive role, do the laws maximize the exercise of genuine choice without prejudice?

Moreover, in any country where the citizens elect their government officials, the principle of political polarity implies the extreme importance of politically balanced mass communication media and educational institutions. And the far-reaching consequences of this implication cannot be over-emphasized. Because it is primarily over such media and in the classrooms that the majority of present and future voters obtain such ideas as they do possess regarding political affairs. Political judgments can only be based on those ideas the citizens possess, and *it is these judgments which determine the type of government a country exhibits.*

It is for this very reason that totalitarians habitually strive to gain control of a nation's mass communication media and educational institutions. By controlling the kind and nature of ideas presented to present and future voters, they control their scope of judgment.

It is noteworthy, moreover, that the ideas which dominate the mass communication media are related to the ideals and beliefs (ideas) held by a society and taught within its public institutions of higher education. In the United States, the governing boards of state universities are occupied by men who are nominated by political parties,

¹ Aristotle, *Politica*, 1279a-1279b.

and voted on at state-wide elections. An imbalance in the mass communication media of a given state will oftentimes be reflected in the political philosophy (ideas) held by the individuals on these governing boards. This fact, in turn, determines their type of administration, their deans and department heads, and their faculty.

Balanced communication media, political freedom, and higher education are very much related to each other. With respect to political philosophy, each one of these can be evaluated in terms of the principle of political polarity: a maximum of political choice (freedom) vis à vis minimum of political choice (restriction).

In conclusion, political freedom is here understood as the existent choices between different ideas regarding the nature of government. All ideas of this kind can be thought of as belonging to a class of ideas about political affairs. When some of the ideas of this class are not possessed by the voters, then their political freedom is restricted because their political judgments—and the resultant government—are based only on those ideas which they do possess.

The Ideas Men Hold

Governments will vary, therefore, according to the variety of political ideas held by their peo-

ples. Assuming that no one willingly chooses serfdom, where the ideas about the nature of government are generally widespread, the people will choose those ideas (and make those judgments) which will lead to the good state and corresponding happiness. Where the ideas about the nature of government are not generally known, the available choices are thereby restricted. This condition has been described in this paper as representing a kind of political polarity. Some countries reflect a high degree of political sophistication, some do not. Correspondingly, some reflect a high degree of civilizational order, and some do not. It depends on the kind of political ideas the majority of voters are acquainted with.

One such political idea is that government, if it serves without prejudice, can provide freedom and happiness to its people only indirectly by fulfilling its negative function. Its polar opposite is the idea that government can provide freedom and happiness directly. When the latter idea is widely disseminated in the mass communication media and educational institutions to the general absence of its polar opposite, the political consequence is a government which attempts to legislate human freedom and happiness. ♦

"Education and the State"

E. G. WEST'S *Education and the State* (London, the Institute of Economic Affairs, 40 shillings) is typical of the new "freedom" literature that is coming out of England. The author is stuck with living in a rather advanced welfare state in which compulsion is the order of the day in all too many fields. To write abstractly about libertarian principles seems to Dr. West rather futile in the circumstances. He is preoccupied not with the possibility of establishing total freedom of the individual, but with providing at least relatively liberal alternatives within the framework of the compulsory state welfare which all the political parties, Labor, Conservative, and Liberal, seem to have accepted as the permanent human condition. Dr. West's aim is depressingly modest.

Before we in the United States look down our noses at Dr. West's cautious approach to the problem of freedom in education, however, we might consider that Americans accepted the principle of the "free" compulsory school way back in the nineteenth century, when Horace

Mann was still alive. We tied it to the municipalities and states, but this did not mitigate the compulsion on the taxpaying adult to support the school system, and on the child to attend the school up to a certain age. The system was "free" only to the extent that the poor who paid no property taxes got the presumed benefits of the compulsory courses.

So, though the United States may still have a larger measure of general voluntarism than Britain, Dr. West's observations about the State's role in education are equally applicable on both sides of the Atlantic.

Reviewing a hundred and fifty years of history, Dr. West reminds us that the classical economists, who are usually associated with the laissez-faire principle, were almost unanimous in their agreement that the State must compel families to educate their children. The classical economists justified this departure from laissez faire on two grounds. First, they believed that it was a State duty to protect minors. Second, they were convinced

that the "neighborhood effects" of illiteracy were damaging to a free political economy. They thought of illiterates becoming juvenile delinquents and criminals and imposing a huge social cost on society. They also thought an unlettered man made a poor prospective employee.

Dr. West, however, notes that most of the classical economists did not argue from their "protection principle" and their "neighborhood effects" analysis that it was the necessary duty of the State to set up its own schools in order to compel the education of the citizens. Shrewdly, he remarks that the British, long before the Forster Act of 1870 had established state board schools, were making an almost total voluntary approach to universal primary education. Private education was a great and growing industry. The problem was a minimal one of dealing with "problem families" at the bottom of the economic scale and with a few of the more irresponsible rich. If the State had made a selective approach to handling its duty to "protect" minors, it could have avoided plunging governments into the business of providing schools on "the rates."

W. E. Forster's idea in 1870 was to set up School Boards to fill the "gaps" in the private provision of schooling. But he went consider-

ably beyond the idea of municipal subsidies to private and voluntary nonprofit schools, an idea which, in practice, was already filling the gap over most of England. Once State schools had been created, the tendency of the taxpayer was to send his children to them in order to escape double financial jeopardy. He was paying for the schools under compulsion anyway, so why shell out extra money to a church-supported or a private nondenominational school?

To meet the necessity of providing education for poor families who couldn't afford to pay the school "rates," Forster hit upon the idea of "free tickets" for those who were in extreme poverty. This leads Dr. West to his constructive idea for getting away from dependency on State schools in the welfarist England of 1966. "If free tickets could be given to poor families for board schools," he asks, "why not for *any* school?" (Dr. West's own italics.) The idea of the free ticket, or educational voucher, has been suggested in America by Dr. Milton Friedman. But it already existed in embryo in Forster's thinking as of 1870. Forster simply failed to draw the proper conclusion from his "free ticket" provision.

The voucher idea could indeed be used to provide free choice of educational mediums within the

larger framework of legal compulsion to absorb a certain stipulated amount of schooling. Applied to America, it opens some interesting perspectives. Armed with an educational voucher representing his proportionate share of the public funds available for schooling, the parent would be freed from most of the problems that have recently been bedeviling professional educators. The parent who insisted that his child be exposed to religious instruction in school could present his voucher to a private academy that opens the day with prayers. And the Negro family, oppressed by "de facto" segregation in its own particular neighborhood public school, could take a voucher across town to an integrated private school. Under reviving free market conditions made possible by the voucher idea, the integrated private school would surely become one of the more heartening features of the landscape.

Educational vouchers could, as Dr. West suggests, be offered on an across-the-board basis, or on a selective "poor family" basis. The latter, under any new approach to freedom, of course would be preferable. If all this business about vouchers seems temporizing with the true principle of *laissez faire*, let us reflect that beggars, in the

contemporary political climate, can hardly be choosers. It would be a distinct advance over the present system if, within the compulsory framework of Federal "aid to education," the individual choice of school and college were to be left absolutely free.

The voucher idea is, of course, applicable to other fields which the twentieth century State has unfortunately marked out for its own. Just before he died at the terribly young age of twenty-seven, Robert Schuchman suggested that social security money might be returned to the individual in the form of a voucher "cashable" at any insurance company that is in the business of writing annuity policies. Well, if we must have compulsory social security, why not provide a choice that would enable people to take advantage of insurance companies that know how to deploy their capital productively?

Dr. West says he is not "reverential" to the idea of the "organic State" or to theories of compelled "social harmony." In his *Education and the State* he is trying merely to make the best of the bad job of having to live in a Britain that has been subjected to ninety years of Fabian propagandizing. His book is the sort of thing we will be writing in America tomorrow. ♦

THE SCARCITY OF SILVER

PAUL L. POIROT

TODAY'S so-called scarcity and rising price of silver might remind us that all this has happened before in America. For instance, the price of an ounce of silver at Boston rose from 7 paper shillings in 1700, to 20 in 1730, to 60 in 1749.¹

One might conclude that silver had grown scarce in Boston during that period. But, scarce in terms of what? In terms of the paper money of the Colony of Massachusetts — which was anything but scarce! The amount of paper money outstanding in the colony rose from 28,000 colonial pounds in 1705, to 311,000 in 1730, to 2,135,000 in 1748. More than a million pounds in bills of credit were issued to cover "war costs" in the year 1745 alone.²

Silver must have been "scarce" again during the years of the Revolutionary War when the in-

dex of wholesale prices, based on figures in the Philadelphia area, rose as follows.³

1775...	100
1776...	133
1777...	423
1778...	769
1779...	3,806
1780...	13,518

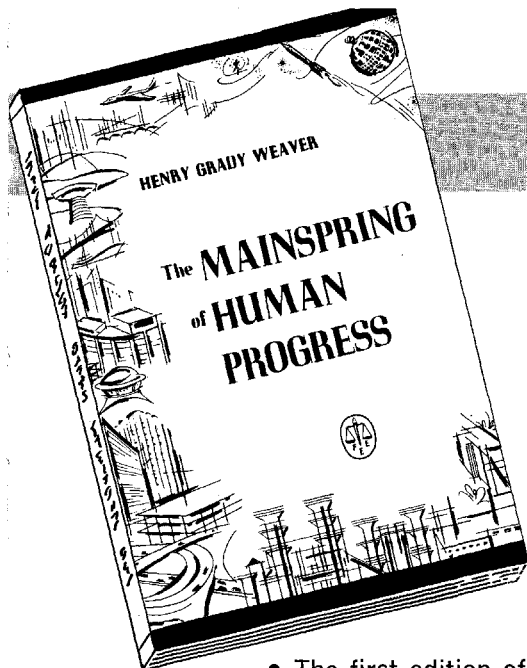
The conclusion of merchants then was that government bonds are "not worth a continental" as money.

The deficit financing of the war in Vietnam, the war on poverty, and other Federal expenditures, resulting in a constant increase in the supply of paper money in the United States in our time, is bound to be reflected in a "scarcity" of silver and gold — and rising prices. The scarcity involved in such situations, however, is not an absolute shortage of the precious metals but a lack of public faith in the paper promises issued by governments. ♦

¹ A. H. Cole, *Wholesale Commodity Prices in the United States, 1700-1861*, (Cambridge: Harvard University Press, 1938), p. 119.

² B. V. Ratchford, *American State Debts* (Durham: Duke University Press, 1941), pp. 26-28.

³ Derived from U. S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1957* (Washington, D. C., 1960). Series Z 336, p. 772.



NOW AVAILABLE

in a new, attractive,
low-priced paperback:

Single copy	\$.95
3 copies	2.00
10 copies	6.00
100 copies	45.00

Also available in
standard clothbound volume, \$2.50

• The first edition of MAINSPRING (279 pp., indexed) was published in 1947. Since Mr. Weaver's passing, this great book has been the property of FEE. Previous to this new paperback edition, 350,000 copies have been printed.

One large company's circulating library for employees required 150 volumes to meet the demand.

Based on FEE's experience, MAINSPRING tops all books as a starter for any aspiring student of liberty. Easy reading — indeed, exciting — the beginner becomes so interested in freedom that he can hardly help pursuing the subject further.

FEE's recommendation: Keep a good supply of the paperbacks on hand to present to any individual who shows a spark of interest in freedom.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

THE *Freeman*



The dignity of man requires that
he must act on his own judgment
and responsibility — with freedom
and not under coercion.

JOHN COURTNEY MURRAY, S. J.

THE FREEMAN may be forwarded any-
where in the U. S. A. No wrapper required.

From:

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE Freeman

IDEAS ON LIBERTY

JUNE 1966

Progress — the Flower of Freedom . . . Leonard E. Read 3

"Please Step Aside . . ." . . . George Charles Roche III 13

Socialism by Seduction . . . William Henry Chamberlin 17

How Price Control Leads to Socialism . . Ludwig von Mises 23

Private Rights and Government . . . George Sutherland 26

Private Enterprise in the Public Interest . 1965 Annual Report,
United States Steel Corp. 37

The Flight from Reality:

21. The Bent to Destruction . . . Clarence B. Carson 42

Some Thoughts on Censorship . . . Edmund A. Opitz 56

Books:

Decline and Fall of Silver Coins . . . John Chamberlain 61



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



WHAT'S INFLATION?

Send for your copy of President Joe Crail's
FREE informative SPEECH and find out what
YOU can do to stop inflation.

Individual financial security is one way to help keep our nation economically strong. A Coast Federal Savings account is designed to encourage you to save.

SAFETY

Sound, Conservative Management
Insured Savings Accounts

HIGHER EARNINGS

Your savings earn 4.97% when held one year
at current rate of 4.85%, paid semi-annually.

CONVENIENCE

Save-by-Mail pays AIR MAIL postage both ways

COAST FEDERAL SAVINGS AND LOAN ASSOCIATION
Department F1, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of "What's Inflation?"
☐ I enclose my check (or money order) for \$_____
☐ Please open a Coast Federal Savings account—
☐ Individual
☐ Joint in the name(s) of

NAME _____

STREET _____

CITY _____ STATE _____

6-112A1



COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

IN THIS ISSUE

- ✓ The Gross National Product would be useful information for anyone buying or selling a nation; but those who deal peacefully in goods and services are better guided by market prices — and freedom p. 3
- ✓ Professor Roche reminds us that Diogenes knew, several hundred years ago, that the individual could not survive the blessings of the Great Society p. 13
- ✓ The seductive lure of government intervention, however, continues to blind citizens to the inevitable accompanying controls, finds William Henry Chamberlin p. 17
- ✓ And Professor Mises explains precisely the sequence to absolute control when the government starts tampering with the market to help someone p. 23
- ✓ Almost half a century ago, and prior to his appointment to the Supreme Court, Justice George Sutherland pointed out with prophetic insight and clarity the vital role of government in defending — or destroying — private rights..... p. 26
- ✓ The 1965 Annual Report of the United States Steel Corporation points out clearly how the public interest is well served by private enterprise p. 37
- ✓ In this chapter of **The Flight from Reality**, Professor Carson shows how the destructive tendencies of immature individuals are exhibited in their plans for society p. 42
- ✓ The Reverend Mr. Opitz suggests that, rather than a law to prevent the writing and reading of intellectual garbage, we need more freedom — which will afford a better diet for the mind p. 56
- ✓ John Chamberlain finds that he had forgotten more than the Treasury experts seemed to know about Gresham's law, as he reviews **Wooden Nickels** by William Rickenbacker p. 60
- ✓ P.S. Don't miss the message from Warner & Swasey on the inside back cover.

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.



A MONTHLY JOURNAL OF IDEAS ON LIBERTY

JUNE 1966

Vol. 16, No. 6

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "How Price Control Leads to Socialism," "Private Rights and Government," "Private Enterprise in the Public Interest," and "Flight from Reality."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.



PROGRESS

the Flower of Freedom

LEONARD E. READ

A CORRESPONDENT from Pakistan asked: "How can one tell whether a nation is experiencing economic growth?" Really, a nation experiences nothing; only individuals have experiences. So, if we would measure growth or progress, it must be with respect to the individual human being, not a nation.

I here lay myself open to an argument no less contentious than Galileo's when he affirmed that the solar system does not revolve around the earth. He was up against the established faith; I find myself up against Hegel, Comte, and others who have held that only society is real and that the individual is the abstraction. Today these philosophers have followers by the millions — collectivists who have no inkling of the

origin of their ideas — those who favor an intervening political apparatus, the planned economy, the welfare state.

Thus, the argument is between those on the one side who pose society, the nation, the over-all economy as the prime unit and, on the other side, the small minority who insist that all meaningful comparisons in progress must be made in terms of the individual.

First, let us ask, how would a bureaucracy, with its numerous interventions in the market place, go about measuring economic progress? The task is greatly hampered by the fact that economic calculation, which is founded on market data automatically supplied in a system of free competitive pricing, is denied in

socialism; it is impossible.¹ Leading communist "economists" concede the point.² Yet, the interventionists are faced with decision-making. And in the absence of economic calculation, they have but one recourse: statistics! "Statistics are, in a crucial sense, critical to *all* interventionist and socialistic activities of government. . . . Only by statistics can the Federal government make even a fitful *attempt* to plan, regulate, control, or reform various industries — or impose central planning

¹ Professor Ludwig von Mises is generally conceded to be the one who intellectually — though not politically — demolished socialism. He did this by proving that economic calculation is utterly impossible under socialism. Were this not an elusive fact and extremely difficult to grasp, others would have discovered it before him. See pp. 131-142 in *Socialism* by Ludwig von Mises (New Haven: Yale University Press).

² Aleksy Wakar and Janusz Zielinski, leading professors of the Central Planning School of Poland, astonishingly for socialists, say, "The best methods of producing a given output cannot be chosen [by socialist methods of calculation] but are taken from outside the [socialist] system . . . i.e., methods of production used in the past, or so-called 'advanced' methods of production, *usually taken from the practice of more advanced countries and used as data for plan-building* by the [socialist] country under consideration." (Italics mine). See *The Journal of the American Economic Association*, March 1963.

For a clear, brief, simple, and excellent explanation of economic calculation, see "Play Store Economics" by Dean Russell. THE FREEMAN, January 1964.

and socialization on the entire economic system."³

When Prices Are Established by Bureaucratic Edict

When an economy is controlled by government, prices are not established by competitive forces but by bureaucratic edict. Edicts are written, modified, repealed in accord with bureaucratic judgments. Thus it is that they are compelled to form judgments from their readings of the statistical data they compile. While the ups and downs in employment, standard of living, and many other data are contrived for their use, the usual statistic for measuring economic growth or progress is gross national product (GNP).

The GNP idea is subject to several obvious flaws:

- If I divorce my wife and hire her as a cook at \$50 a week, the GNP will increase by \$2,600 annually. How, pray tell, is there any economic growth or progress in that maneuver?
- If the Defense Department spends \$50 billion instead of \$1 billion on war and its hardware, the GNP will rise by \$49 billion. The larger expenditure may or may not in-

³ See "Statistics: Achilles' Heel of Government," by Murray N. Rothbard. THE FREEMAN, June 1961.

crease our security but, assuredly, it represents no economic progress for you or me. We have a lower, not a higher, freedom of choice by reason of such outlays. To what economic use can a citizen put a battleship, or a nuclear warhead, or a dead "enemy"?⁴

- Were we to spend \$40 billion to tear down New York City, the GNP would rise by that amount, the same as if we were to spend \$40 billion to build a new city.⁵
- The dollars we pay farmers not to grow wheat, or peanuts or whatever, boost the GNP just as do the dollars paid farmers for things produced.
- GNP—expressed in the monetary unit—enlarges whenever the medium of exchange is diluted, that is, it gets bigger in an inflationary period.⁶

⁴ This is not to deny that expenditures by government to keep the peace are useful. Defense against destructive actions is to avoid losses; it is but a means to make progress possible; it is not in itself growth or progress or gain.

⁵ In Federal urban renewal, for instance, expenditures for razing the old structures are as much included in GNP as are expenditures for constructing the new.

⁶ True, The Department of Commerce does publish a figure with a "deflator" (adjustment to a constant dollar) in its monthly *Survey of Current Business*. But this figure, far from flawless, is

Contemplate what Germany's GNP would have been in 1923 when 30 million marks wouldn't buy a loaf of bread.

What an inaccurate device is GNP, the so-called measuring rod of economic progress employed by intervening governments and so heartily endorsed by many economists!

No Better Guide Available

Why, then, is GNP used at all? Probably there is no better statistical guide available to an intervening bureaucracy; that is, none more consistent with their gross-economy—as distinguished from individualistic—assumptions. Further, they have come to believe that spending, rather than productive effort, is the key to growth or progress. Were this true, then Germany achieved its peak of growth immediately prior to complete economic collapse. Were this true, we could experience enormous progress by the simple expedient of repealing all laws against counterfeiting! The fact is, exploding expenditures no more measure economic growth than does exploding population!

I repeat, GNP is purely an invention and a device of an intervening government and/or its in-

noted almost exclusively by professional economists and statisticians. It is the inflated figure that is "fed to the public."

tellectual supporters. In an ideal free market society, with government limited to invoking a common justice and keeping the peace, GNP is inconceivable. Try to find a GNP figure in Hong Kong, the nearest approach to a free economy in today's world. There simply is no use for a GNP figure by the voluntary participants in a free market. Market data as related to one's goods or services, yes; but definitely not a generality like GNP related neither to specific markets nor to individual progress.

GNP is, of course, subject to manipulation, as explained above. Merely spend more, regardless of what for, and up it goes. Thus, the prevailing bureaucracy is enabled to "prove" that it is doing better each year, or better than the Establishment it succeeded.

Now, here is where the mischief enters: *If the majority of the citizenry can be sold on the merit of government spending and made to believe that GNP is a reliable measuring rod, then we can easily be led by the nose into the total state — the free market wiped out completely.*

Again, why is GNP used at all? Bureaucracies that intervene in the market will never use a valid definition of economic growth or progress for the simple reason that the real thing cannot be meas-

ured in mathematical or statistical terms and, thus, is utterly useless for bureaucratic procedure.

No Objective Standards

The real thing — individual economic progress — cannot be measured by objective standards. This is to say that the individual's economic progress cannot be reckoned by the number of chickens in the pot, by cars in the garage, by cash in the bank or statements of net worth, or by any or all other standard-of-living measurements.⁷

This is not to say that the individual can have no idea of his own economic growth; it is only to argue that growth cannot be judged by any set of objective standards.

For instance, I am aware of personal economic growth, which is to say, I can now obtain more of *what I want* in exchange for *what I want to do* than was the case thirty years ago. Further, the Pilgrim, or an 18th-century Englishman, or my father had nowhere near the choices of employ-

⁷ "... true economic growth is theoretically unmeasurable. . . . Concern about economic growth could . . . properly be shifted from pondering meaningless percentages to preserving and perfecting the mechanisms and incentives through which growth is achieved." *United States Steel Corporation Annual Report*, 1960.

ment I have, or what could be received in exchange for the fruits thereof. My choices abound compared to theirs.

But please note that *what I want to do* is forever changing, and that *what I want* in exchange is in perpetual flux. Like a bird on the wing, I don't "stay put," as we say. Even more to the point, I have no carbon copy on this earth; we are all in flux relative to each other.

Perhaps one man's highest aspiration is to write and lecture on behalf of freedom. He prefers this to other employments, even though the other jobs available to him pay twice or ten times as much. And in exchange he desires above all else a working acquaintance with the best libertarian minds in the world, along with the economic means — food, transportation, and the like — for realization. To him this is the ultimate in economic progress. Who, pray tell, has any right to set a standard for him other than these unusual but, nonetheless, self-chosen goals?

But here's another fellow who, above all else, prefers to strum a guitar. And in exchange his heart's desire is "a Loaf of Bread . . . a Flask of Wine, a Book of Verse — and Thou." To him this is the ultimate in economic progress. Where is the superman who

has any logical, moral, or ethical basis for decreeing otherwise?

The above gets at the crux of the matter: *gain or economic progress is individual and subjective; gain cannot be objectively measured, that is, neither I nor anyone else can devise a standard that can accurately assess what is or isn't a gain to you.*⁸ It's difficult enough to know one's own choice in such matters.

What economic progress is to one individual may very well be regress to another. Examples: There are persons who would prefer an audience with the President of the United States to \$10,000, and vice versa; a hoola hoop to \$5, and vice versa; a can of imported snails to \$2, and vice versa; a Ph.D. or a mink coat to \$5,000, and vice versa; a Sammy Davis performance to one by Roberta Peters, and vice versa; a Jeep to a Cadillac, and vice versa; and so on ad infinitum. *Objective standards simply cannot be used to measure subjective judgments.*

Measuring and determining the total value of these trillions of complex, ever-changing whims,

⁸ This is clear to anyone who understands the marginal utility theory of value, one of the latest (1870) and assuredly one of the most important discoveries in economic science. See *Value and Price* by Eugen von Böhm-Bawerk (South Holland, Illinois: Libertarian Press).

fancies, desires — subjectively recorded only in the minds of individuals mostly unknown to one another — is not humanly possible.⁹

The individual can, if he so elects, generally assess his own economic progress, but he can no more express this growth statistically or mathematically than he can his intellectual, moral, or spiritual gain. Indeed, in these latter categories, no one makes any attempt at such measurement. Unlike the single dimensions of height, weight, girth, bushels of wheat, population, these other forms of growth, including economic, are multidimensional and — to top it off — in never-ending flux. And suppose one had an accurate measure of his own economic growth; what could he possibly do with the statistic that he could not do as well without it?

A Freeing of Choices

Far more important than fruitlessly trying to measure individual economic growth is understanding what it is that increases the possibilities for progress. Were we searching for a single

phrase to express what has to be understood, we could well settle for a *freeing of choices*. This, however, is as big as “all out-doors.” Reflect on the enormity of what’s involved:

- *First*, freeing the choices — increasing the alternatives and opportunities — for profitably (subjective) employing one’s abilities and properties.
- *Second*, freeing the choices — increasing the alternatives — of the desirable (subjective) goods and services that can be obtained in *willing exchange* for the fruits of said employment.
- *Third*, freeing the capacities of self in order to partake of the increasing alternatives. To what advantage is a proliferation of opportunities to an oyster, or to a human who can’t get off dead center?

All three of the above developments are founded on exchange — production as much as distribution. And this is true even of self-development, for man grows by exchanging ideas with his contemporaries or drawing on his heritage; he is incapable of going it alone. Thus, exchange is the key economic term.

There are two kinds of exchange, broadly speaking: *forced* exchange as in state intervention-

⁹ This is not to say that the complete satisfaction of personal desires is necessarily to one’s advantage. It is only to argue that it is not my role to decide what someone else’s advantage is. Is it to another’s advantage that he be cast in my image, have my likes and dislikes imposed on him? Nonsense!

ism (socialism) and *willing* exchange as in a free market economy. No society ever has had exclusively one or the other; every society has more or less one or the other.

To repeat what is already implied, economic progress may be judged only by the extent to which an individual becomes capable of taking advantage of an increase in opportunities for productive activity and an increase in what he can obtain for his goods or services in *willing* exchange.

Such progress, let it be emphasized, originates only in willing as distinguished from forced or coerced exchange. For example, when a robber takes \$100 from you, there is no net gain; his gain is canceled out by your loss; this exchange is no more than a coercive swap. Precisely the same holds true when the government forcibly takes the fruits of your labors as a contribution toward any project which does not fall within the principled scope of government.¹⁰ Parenthetically, an

intervening government, to be consistent, should tabulate robberies and include the total figure in GNP!

It is clear that there is no gain or progress in forced or coerced exchange. But observe the gain in willing exchange: you, on your own motion — voluntarily — purchase a suit for \$100. Both you and the clothier gain in the only way that the term gain makes sense. You want the suit more than the cash; he wants the cash more than the suit. Each of you, on your own terms — nobody else's — gains by the exchange. Were this not true in each case, you would not buy; he would not sell.

Individual Economic Progress

Let us now ask, why is individual economic progress so important? What, really, is its deep significance? For, surely, it transcends sensual pleasures and satisfactions.

Assume I am a Russian whose employment alternatives may be limited to working in the sputnik factory or on a collective farm and where the things that can be obtained in exchange approximate the contents of Mother Hubbard's cupboard. Or a Chinese who, employment-wise, has no choice beyond sloshing around a rice paddy, in exchange for which he gets rice and little else.

¹⁰ Bastiat suggested the principled scope in simple terms: "See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime." See *The Law* by Frederic Bastiat (Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.)

Next, grant this: I—the Russian or the Chinese, it matters not—possess a potential talent, hidden, latent, untapped. Mine is distinctively unique, unlike that of any other living being. I don't know what it is myself. I only know that it isn't making sputniks or transplanting rice. If I understand life's purpose, one aim must be to see how close I can come during my earthly days to realizing those creative potentialities uniquely mine. Under the conditions outlined above, I should go to my grave—in this respect *unborn*!

Now, let the alternatives for employment greatly proliferate. They pop into existence every day, one might say. Undeniably, the greater the proliferation the greater is the probability that some one alternative will coincide with that latent, undiscovered talent uniquely mine. In short, self-realization!

Maximizing the Alternatives

It is now appropriate to consider what type of political economy is most conducive to a maximum of alternatives for the employment of abilities and properties and of opportunities for profitable exchange. In what socioeconomic climate is there the greatest freeing of choices?

I believe the first requirement to be a societal agency—govern-

ment—devoted to keeping the peace, that is, to inhibiting and minimizing all violence, fraud, misrepresentation, predation. Though fully aware of the tendency of governments to get out of hand—the policeman turned plunderer—I'm nonetheless convinced that society requires an organized agency of defensive force to keep the market free of coercion, to secure to each citizen his life and the fruits of his labor. Private property is the outcome of such security, this institution being a basic foundation for any growth in economic alternatives.

Only when life and property are respected is capital formation possible, labor and capital being the tools of production.

When the societal agency is limited to keeping the peace—assuming it does so—there remains no organized force standing against the freeing of creative human energy, a potential always seeking release to some extent in everyone.

When the societal agency keeps the peace, that is, when no one is permitted to lord it over others, there is free entry, free and willing exchange; in short, the free market.

It is under these conditions—never under authoritarian arrangements—that alternatives proliferate, both as to opportuni-

ties for the employment of one's abilities and properties and as to what one can obtain in willing exchange.¹¹ The flower of freedom!

The flower of freedom, I say. But how, many will ask, can this proliferation of alternatives be taking place coincidentally with a rapidly advancing state intervention into the market? Isn't there a contradiction here?

What Goes on Here?

While no societal agency has ever been strictly limited in practice to keeping the peace, invoking a common justice, and securing the rights to life and livelihood, and no market has ever been ideally free, the U.S.A. has afforded the nearest approximation to these ideals. This practice of freedom brought an unprecedented outburst of creative activity, and through the persons of self-reliant individuals. What's going on today can partly be ac-

counted for as a momentum, a mighty thrust from decades when sound principles were generally practiced. The traditions, the ways of dealing with each other, the will to improve, the incentives, and numerous other virtues born in that era combined into a fabric too tough for easy destruction.

But more than momentum: our impressions of what is happening are greatly colored and distorted because, to a marked extent, they derive from what we read in the press or hear over TV and radio. Public media — our eyes for seeing much of the world around us — highlight the news. And what's news? Not the commonplace — never! But, rather, the exceptional events. A new intervention or control (restriction of the market) is always an exception; it is a break with tradition, with our ways of doing things and dealing with each other. So, it is the substitution of forced for willing exchange that is taken to be news nowadays.

Let's reflect on the commonplace which mostly we overlook. For instance, the exchange of 30 cents for a can of beans. We take no more note of this than we do the important air we breathe. Yet these commonplace, unnoted actions occur daily in billions of unpublicized voluntary exchanges, with a constructive effect that

¹¹ The alternatives (specializations) brought into existence by government, founded on forced rather than on free exchange — space hardware, and the like — must be excluded from the list that makes for individual economic progress. When we become dependent on the exchange of our numerous specializations — as is now the case — exchanges must be by common consent if we are to avoid the Russian type of authoritarian state. For more explanation of this point, see Chapter VI in my *Anything That's Peaceful* (Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.)

tends to overcome many destructive, intervening forces.

I repeat, we are keenly conscious of the exceptional destructive forces and only dimly aware of the commonplace constructive forces. This, of course, is very dangerous, for we tend to accept these glaring interventions as causes of the proliferation of economic alternatives for the individual. This type of mistaken correlation leads labor union officials to believe that their coercive tactics raise the wage level,¹² or bureaucrats to believe that their price controls curb inflation. The fact is that coercion is an inhibiting force, never creative. It precludes creative activity by the person doing the coercing as well as by the one being coerced.

Free and willing exchange, on the other hand, can be likened to a world-wide electric grid into which flows the infinitesimal and varied creativities of several billion individuals, resulting in a magnificent total available to all.

As a bolt of lightning zigs and zags along the line of least resistance, so has free action found its way through the porosity of governmental restraints. It is the

free action, not the restraints, that accounts for all that's good in the economic situation. In short, free action is stronger than you think, and the interveners are weaker than they think.

However, it is the weakness of the interveners—and ever so many citizens—that can spell our undoing. For when a false economic growth (GNP) can be adopted as a proper goal and when the way to realization is believed to be exploding expenditures, inflation is inevitable.

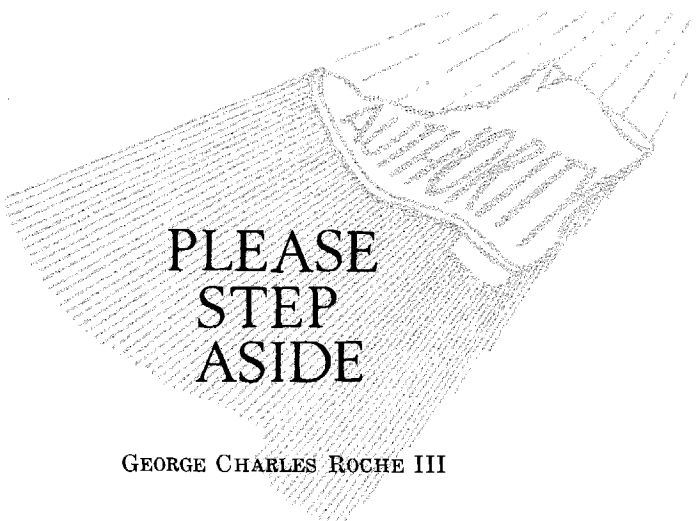
Specialization of the free market kind is all to the good. But the more specialized we become, the more is each of us dependent on the free, uninhibited exchanges of our specializations. Exchange in specialized societies cannot be achieved by barter; a medium of exchange — money — is required. Inflation, like counterfeiting, destroys the integrity of the medium and, thus, threatens survival.

Of one thing we can be certain: when a high proportion of the time and energy of individuals is devoted to the measurement and expansion of the Gross National Product, their progress as individuals will be thwarted.

Progress is the flower of freedom!



¹² See *Why Wages Rise* by Dr. F. A. Harper (Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.).



PLEASE STEP ASIDE

GEORGE CHARLES ROCHE III

ONCE, long ago, the most powerful man in the world was Alexander the Great. His dominions stretched across the entire civilized world of his time and penetrated the East as far as India. Bureaucrats and politicians jumped at the slightest expression of his whims. Cities were planned and built to his specifications. Even that most nebulous substance, "culture," was defined and elaborated on the Alexandrian model.

The story is told that once, while Alexander and his entourage were journeying from one part of the empire to another, one of his advisers rushed up to the most powerful man on earth and announced breathlessly, "Sire, just

beyond the next hill is one of the greatest philosophers of your empire."

"Quick, take me to this man," commanded Alexander, for "cultural" attainment of all sorts was an interest upon which the ruler especially prided himself. Alexander and his chief ministers hurried over the hill to discover the philosopher lying upon his back in the green, soft grass, gazing at the clouds, and basking in the sun while he apparently pondered some deep question.

"I am Alexander, ruler of the world," the sovereign began. "Name your wish and it shall be granted, for I am a patron of culture and will gladly underwrite any project which you select."

As befitted a man of his calling, the philosopher thought a moment

Dr. Roche is Assistant Professor of History and Philosophy at the Colorado School of Mines.

before replying to such a grand offer, then politely responded, "You may do one thing for me, your highness; please step aside — you are standing between me and the sun." Alexander's reply is not recorded, but it can be assumed that the ruler returned to affairs of state and the philosopher returned to sunning himself amid the consideration of his own thoughts.

In an age when government promises "security" and the satisfaction of every human want, with such assurance of its capacity for beneficence that its agents freely use a growing amount of force to coerce the lucky citizenry into acceptance of this state of affairs, we might wonder what would have happened to the Alexandrian philosopher had he refused the tender, loving care of the Great Society or the communist state in 1966 A.D. instead of refusing Alexander's offer in 326 B.C. In the more frankly coercive, collective regime of the communist state, our philosopher friend probably would have been shot as an "enemy of the people." In the Great Society, sharing many of the goals of other collectivismisms but — so far at least — being a little more reticent in the application of force to achieve those goals, the philosopher merely would have been termed "reactionary" and "antisocial." Had he

persisted in his "selfish attitudes," he would have been branded with the ultimate crime, that of being "against progress," i.e., not agreeing with the dominant herd instinct of the age.

Whatever might have happened to our friend had he lived in our times, and however the bureaucrat of collective welfare and coerced beneficence might view such heresy, we can rest assured that the philosopher would have agreed with Samuel Johnson. It is indeed "easier to be beneficent than to be just." In fact, the collectivist in the final analysis finds it impossible to be either beneficent or just. The collective interference with the individual, institutional, private sector of society that characterizes our age is a perfect example of the misplaced, artificial, and coerced type of beneficence that renders justice unattainable within such a system.

The Nature of Justice

Justice in the practical, working sense, after all, is really society's guarantee to the individual that a definite set of rules and a definite right and wrong are recognized as governing the conduct of that society's membership. If justice is to prevail, the rules must be universally applicable, giving equal treatment and consistent treatment to any citizen at any time.

Justice for the individual exists only where a fixed value system of right and wrong exists and where the judgments made concerning whether an act is right or wrong are consistent and therefore *predictable*. The collective ethic cannot provide such conditions. Collective morality is not fixed, but relative. Right and wrong are what the state says they are at the moment. The individual citizen has neither a fixed value system nor a predictable reaction from his society by which to guide his actions.

Lenin's "all tactics are Bolshevik tactics" expresses the communist version of the collectivist standard of justice quite clearly. Neither fixed standards nor predictability stand in the way of whatever the state might wish to do. In the Western world's less coercive version of collectivism, many of the same relative standards prevail. The Supreme Court of the United States is making very clear, indeed, its lack of concern for precedent. What has been increasingly substituted is what might be called, "sociological jurisprudence." Law, and therefore justice, are no longer to be determined according to fixed principle, but according to what the current membership of the court views as the proper "social" goals. For another example drawn from con-

temporary American government, what defense does the individual citizen have against the dictates of various bureaus exercising executive power over his life? These bureaucrats are not elected by the people, not mentioned in the Constitution, yet wield great influence in interpretation and enforcement of law. These men virtually make the law in the process of executing blank legislative checks from Congress. Surely such a system provides neither fixed values nor predictability. Justice for the individual in the collective ethic is indeed "far to seek."

Material Welfare

The student of the free market might well also add that any genuine material benefit to society or to its individual members also goes out the window when justice departs. This is true because the man denied justice is in effect being denied a measure of his freedom. And much of the reason for the material failure of the collective ethic can be exposed in a short question: who produces more, the slave or the free man?

It would be hard to imagine a more basic form of material welfare than the food a society produces for itself. From the very beginning of its regime, the Soviet planned economy in Russia has placed great emphasis upon col-

lective agriculture. Yet, although great amounts of power—virtually unlimited by morality or any humane considerations—have been brought to bear throughout a long and bloody chapter of the collective experiment, success has remained beyond the reach of the planned economy. As one wag expressed it, 1966 can be predicted to produce the Soviet Union's forty-ninth annual crop failure since 1917, due, according to the Soviet news agency, to "natural causes."

Meanwhile, our planners in the United States have been devoting their efforts to the curtailment of the agricultural production stemming from our relatively free market system. The planners have met with as little success on this side of the world. In fact, we find the American planners who would curtail production faced with such a surplus that they are able to help in feeding the Russian society whose planning to increase production has resulted in starvation conditions. Surely such a total disaster for "planning" would be at least an embarrassment if not a lesson to most men; but unwillingness or inability to learn from experience would seem to be a basic character trait of the modern collectivist.

In societies lacking freedom, neither material well-being nor justice has historically proven possible of attainment. The collective experiments of our age have made abundantly clear how hopelessly lost both prosperity and justice become when freedom is curtailed. Lack of freedom, then, in the end makes both genuine beneficence and justice casualties of the planned society, no matter how "well-intended" the planners may be.

The modern victim of such a double loss might well begin the process of reclaiming his freedom and well-being by following the example of the Alexandrian philosopher. He knew very well what the state could do for him and what the state could do to him; and he told the all-powerful state that its self-proclaimed beneficence was not required; that what was required was not more interference, but less; that it should stand aside and stop blocking the sun. Should modern man follow this example, the warming rays of self-reliance and human dignity thus generated could easily again provide the greatest of boons to man, leaving the individual free to pursue his own well-being and his own moral growth. ♦

Socialism by Seduction

WILLIAM HENRY CHAMBERLIN

SAILING under its own colors, socialism never got far in the United States. Native Americans, pragmatic by disposition, were not attracted by the dull and ponderous writings of Marx and Engels, with their underpinning of muddy Hegelian metaphysics. They were not inclined to call each other comrade or to take much stock in letters signed "Yours for the revolution." The availability until 1900 of free land, the absence of European class distinctions, the ease with which individuals could move up or down the economic ladder — all these characteristics of American life were against the socialist conception of irreconcilable

antagonism between two classes, exploiters and exploited.

So socialism in America was an intellectual import; it was no accident that of the two socialists elected to Congress one came from New York's East Side, the other from a district in Wisconsin with a substantial population of German origin. Both in Eastern Europe and in Germany socialism was a creed with a considerable following, and it was natural that immigrants from these areas in many cases joined the American Socialist Party.

As the children and grandchildren of these immigrants became assimilated and lost touch with conditions in their parents' homelands, interest in socialism waned. The American Socialist Party reached its highest proportion of

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

the popular vote (about 6 per cent) with one of its hardy perennial candidates for President, Eugene V. Debs, in 1912. Then its vote tapered off steadily, with only one upsurge, in 1932, for Debs's successor as regular candidate, scholarly and personally likable Norman Thomas. Finally the vote became such an infinitesimal percentage that the party ceased to nominate candidates for national office and now carries on merely as an educational and propaganda organization.

Americanizing the Ideas

Although socialism as a political movement for all practical purposes has ceased to exist, socialist proposals and ideas, from the time of the New Deal, have been taken over and put into effect by politicians of other parties. On many counts there is little difference today between European socialists, who have become more moderate because of the secession of the communists, and the stronger American advocates of government intervention and expanding social legislation. A prominent German Social Democrat once told the writer that his party was in substantial agreement with the "New Deal" and "New Frontier" Democrats, and the "Great Society" is the sort of blueprint for heightened government spending

for supposed welfare aims that might be expected to win the hearty endorsement of a British or continental socialist.

A proposal to give the government authority to take over and operate key industries in the United States, should it come to a vote, would be overwhelmingly defeated. But socialism by a mixture of seduction and pressure is a horse of another color. This process is much farther advanced than most people realize and with remarkably little visible awareness or resistance from the businessmen, large and small, who might be expected to offer opposition.

Benevolent Intervention

An important element in the process of seduction is repeated affirmation by the highest government officials of devotion to the principles of free enterprise. Then comes the alluring suggestion that government wants and intends to be a benevolent partner of business. By this time resistance in the business community has been softened to a point where government bureaucrats, with little objection, take over some of the most important functions of the free market, such as the level of prices and the direction of investment. Price control and directed investment would have an ominous warning sound. So such expres-

sions as government guidelines and voluntary restraints are preferred.

Professor Hayek once observed that, if any individual had invented the free market, he could have been considered an outstanding genius. But this system, like Topsy, "just grew" in response to the age-old needs for exchange of goods. Its service as an impartial regulator of prices is unique and unrivaled. In response to increased demand, actual or potential, prices rise. The contrary signal of falling prices indicates that demand has declined or is likely to decline.

All sorts of rulers, from despotic emperors of the past like Diocletian to communist dictators and computer-equipped bureaucrats of the present, have tried to cheat the free market by employing decrees or artificial means to push prices up or hold them down. But the usual end result of such efforts is about as successful as King Canute's order to the waves and tides to stand still. (Perhaps Canute was rebuking some of the eager-beaver would-be planners in his entourage).

The Reins of Control

Slowly, gradually, almost imperceptibly, "guidelines" have replaced the impersonal mechanism of the market in determining the

level of prices. When a price increase, however well justified by a rising trend in wages and other costs, draws a protesting whistle from the government official in charge of the guidelines, the corporation almost invariably backs down. Stockholders in steel companies, at a time when the general trend in profits and wages has been upward, are still looking for a restoration of the 40 per cent cut in earnings which they took some years ago when the larger steel companies reduced their dividends in this proportion. But government intervention has twice blocked steel price hikes. There has been the same experience in the aluminum and copper and tobacco industries. And against this growing interference of government with the verdict of the market place there have been remarkably few audible protests. When the president of the Chase Manhattan Bank, George Champion, last year urged businessmen to oppose what he called government-by-guideline, his stand was taken as amazing, although there was a time when almost no banker or industrialist would have taken a different attitude.

The threat of more open and direct controls has induced banks to accept sweeping limitations on their right to lend and invest abroad. Again, few voices have

been raised in public protest, although private comment on this subject has often been sulphurous. As Alan L. Otten summed up the subject in a thoughtful article in *The Wall Street Journal* of January 13:

A threat of more direct controls on overseas investments has persuaded business to accept, with scarcely a murmur, a very complex system of very real "voluntary" controls. For the sake of "civil rights" businessmen have put up practically no fight against deep government intervention in their hiring practices. The Federal Trade Commission points to a sharp increase in "voluntary compliance" by businessmen with FTC rules on permissible trade practices. The Justice Department looks for widespread industry acceptance of its forthcoming "advisory guidelines" spelling out what will and won't violate the antitrust laws. Auto firms readily acceded to Senate prodding for more safety equipment in new cars.

The Penalty of Resisting

Why are businessmen submitting to so much substitution of government judgment for their own with so little protest? The answer is partly in a process that may be called seduction. It is an old adage that the customer is always right and the government, thanks to expanded military and social welfare programs, is far

and away the biggest single customer. Few business representatives look beyond the prospect of immediate profit, and the benefits to aircraft companies and engineering and electronics firms from enlarged war spending are obvious. Other types of firms stand to gain from "Great Society" expenditures, hospital suppliers from medicare, textbook, school, and laboratory manufacturers from higher educational outlays.

Moreover, the government is a customer equipped with teeth and claws not available to the individual buyer. It is in a position to blacklist firms that incur its displeasure, to shift its buying to those which are cooperative in accepting dictation. Given the vast complexity of the personal and corporate taxation system and of the antitrust laws and the large shadowy area between legality and illegality, the defiant head of a business firm faces the dreary prospect of tax harassment, with simultaneous damage to his pocketbook and to his public relations image.

It is an old familiar political trick to use patronage, appointments to public office, to help pass legislation on the Federal and state levels. But this kind of patronage is peanuts compared with the financial power that has accrued and is accruing to Big Brother in Washington as a result

of steady expansion of government functions and the parallel growth of public spending. Ability to approve or withhold Federal grants in aid has given Federal agencies unprecedented power to control and overrule the judgment of the local school boards which have hitherto been the backbone of the public educational system. And the government's position as the biggest single buyer lends a good deal of muscle to its demands that its guideline directions be obeyed.

Two Standards

In theory, wages — like prices — are subject to government influence and control. But in practice the government has proved less willing, perhaps less able, to employ sanctions against big concentrations of trade-union power than against business firms. A good example was the illegal transit strike that paralyzed transportation in New York City during the first weeks of January. The demands of the leader of the strike, the late Michael Quill, who tore up a court injunction against the strike with a degree of immunity from consequences not shown to Southern governors who opposed educational integration, were wildly in excess of the supposed wage increase limit of 3.2 per cent.

But the White House was very gingerly in its handling of Mr. Quill; he was not subjected to any of the pressures brought against firms seeking much more modest price increases. And the New York state authorities were positively abject in their reaction. The strike was in clear violation of the state Condon Wadlin Act, which forbids strikes by state employees and, among other penalties, forbids wage increases to violators for a term of years. The strike was settled on terms of virtual unconditional surrender, involving a settlement amounting to about a 15 per cent wage and fringe benefits increase. When judgment was given that this increase was illegal, the legislature hastily passed a law exempting transit workers from its operation. The problem of how to deal with stoppages of labor that hold up a large community to ransom, on pain of intolerable disruption of normal services, remains as far from settlement as ever.

As in Britain

There has been a parallel experience in Great Britain, where the Labor Government has been much more successful in holding down prices than in holding down wages, thereby storing up inflation and balance-of-payments troubles for the future. Even if it

were desirable to substitute for the working of the free market a system of government fixing of prices and wages, with all the artificialities, inequities, and distortions which this involves, it would be almost impossible for a government to operate such a system in an even-handed manner. There are more votes represented in trade-unions than in management; and it is the temptation of politicians to follow what seems to be the trail leading to the votes, regardless of the effect on the welfare and viability of the national economy.

One reason why the business community, traditionally devoted to a free enterprise economy with a minimum of government interference, has accepted so meekly the growing incursions of government bureaucracy into the sphere of business decisions is the argument that inflation is a serious danger in the wake of a prolonged boom and that the government should possess some latitude in trying to forestall and avert this disaster. On the harmfulness of inflation there can be no reasonable difference of opinion. But it is contrary to all the teachings of experience and of sound economic theory to believe that inflation can be curbed by shadow boxing with its symptoms, rising prices and wages.

Curb the Spending

The only hopeful way of fighting inflation is to get at the roots, to cut down the creation of new money through Federal Reserve open market operations, to tighten credit and, above all, to cut down government spending. It is fantastic to be preparing the ground for a new raid on the harassed Federal income taxpayer when there are such promising targets for economy as the current \$46 billion for welfare spending, over \$3 billion for foreign aid, \$3 billion for farm subsidies, \$4 billion for an excessively expensive road-building program, and \$4 billion for the project of putting a man on the moon and bringing him back—a project without military, scientific, or any other justification commensurate with its cost.

No doubt the war in Vietnam will be alleged as an excuse for levying supplementary taxes. But the true cause of a probable budget deficit may be found in the spendthrift growth of nondefense taxation, much of it with no justification except the desire to attract votes from groups that are "consumers," not "producers" of social security. In the last six years, nondefense spending has grown by the enormous total of \$32 billion. If a sum of \$5 billion or even \$10 billion is needed to put the budget in balance, an Ad-

ministration or a Congress genuinely bent on economy could easily find it in these swollen expenditures.

It is high time for thoughtful businessmen, looking beyond the immediate balance sheet, to consider what will become of free private economy if government officials are to substitute their

judgments more and more for the impartial verdict of the free market. A few years of outward prosperity, with ever stronger inflationary overtones, will be purchased too dearly if the result is some kind of government-run, socialized economy derived from a mixture of seduction and stronger pressures. ♦

HOW PRICE CONTROL LEADS TO ——— Socialism

LUDWIG VON MISES

THE GOVERNMENT believes that the price of a definite commodity, e.g., milk, is too high. It wants to make it possible for the poor to give their children more milk. Thus it resorts to a price ceiling and fixes the price of milk at a lower rate than that prevailing on the free market. The result is that the marginal producers of milk, those producing at the highest cost, now incur losses. As no individual farmer or businessman

can go on producing at a loss, these marginal producers stop producing and selling milk on the market. They will use their cows and their skill for other more profitable purposes. They will, for example, produce butter, cheese, or meat. There will be less milk available for the consumers, not more.

This, of course, is contrary to the intentions of the government. It wanted to make it easier for some people to buy more milk. But, as an outcome of its interference, the supply available drops. The measure proves abor-

Excerpted by permission from Dr. Mises' lecture, "Middle-of-the-Road Policy Leads to Socialism," published and available as a pamphlet from Libertarian Press, 366 East 166th Street, South Holland, Illinois. Single copies, 25¢.

tive from the very point of view of the government and the groups it was eager to favor. It brings about a state of affairs, which — again from the point of view of the government — is even less desirable than the previous state of affairs which it was designed to improve.

Now, the government is faced with an alternative. It can abrogate its decree and refrain from any further endeavors to control the price of milk. But if it insists upon its intention to keep the price of milk below the rate the unhampered market would have determined and wants nonetheless to avoid a drop in the supply of milk, it must try to eliminate the causes that render the marginal producers' business unremunerative. It must add to the first decree concerning only the price of milk a second decree fixing the prices of the factors of production necessary for the production of milk at such a low rate that the marginal producers of milk will no longer suffer losses and will therefore abstain from restricting output.

But then the same story repeats itself on a remoter plane. The supply of the factors of production required for the production of milk drops, and again the government is back where it started. If it does not want to admit defeat

and to abstain from any meddling with prices, it must push further and fix the prices of those factors of production which are needed for the production of the factors necessary for the production of milk.

Hopelessly Enmeshed

Thus the government is forced to go further and further, fixing step by step the prices of all consumers' goods and of all factors of production — both human, i.e., labor, and material — and to order every entrepreneur and every worker to continue work at these prices and wages. No branch of industry can be omitted from this all-round fixing of prices and wages and from this obligation to produce those quantities which the government wants to see produced. If some branches were to be left free out of regard for the fact that they produce only goods qualified as non-vital or even as luxuries, capital and labor would tend to flow into them and the result would be a drop in the supply of those goods, the prices of which the government has fixed precisely because it considers them as indispensable for the satisfaction of the needs of the masses.

But when this state of all-round control of business is attained, there can no longer be any ques-

tion of a market economy. No longer do the citizens by their buying and abstention from buying determine what should be produced and how. The power to decide these matters has developed upon the government. This is no longer capitalism; it is all-round planning by the government — it is socialism.

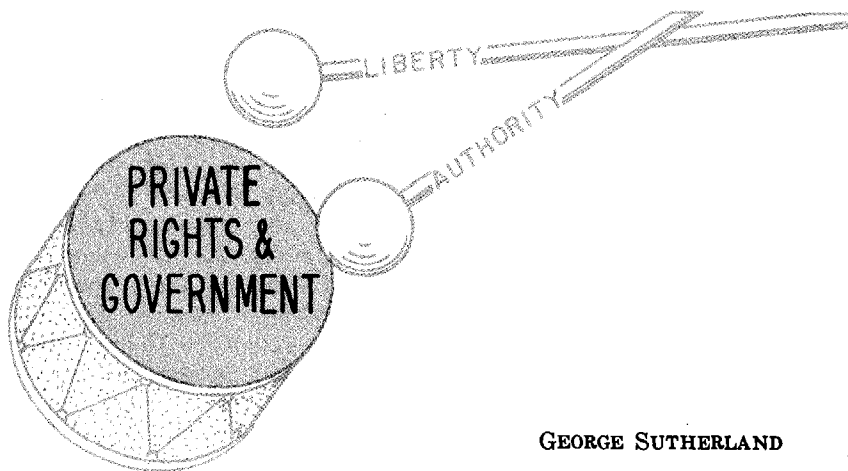
It is, of course, true that this type of socialism preserves some of the labels and the outward appearance of capitalism. It maintains, seemingly and nominally, private ownership of the means of production, prices, wages, interest rates, and profits. In fact, however, nothing counts but the government's unrestricted autocracy. The government tells the

entrepreneurs and capitalists what to produce and in what quantity and quality, at what prices to buy and from whom, at what prices to sell and to whom. It decrees at what wages and where the workers must work. Market exchange is but a sham. All the prices, wages, and interest rates are determined by the authority. They are prices, wages, and interest rates in appearance only; in fact they are merely quantity relations in the government's orders. The government, not the consumers, directs production. The government determines each citizen's income, it assigns to everybody the position in which he has to work. This is socialism in the outward guise of capitalism. ♦

IDEAS ON LIBERTY***What Price Control Means***

WHEN ONE CONDEMNS the processes of a free market, as he is doing when he endorses any form or degree of price control, he is invalidating the rights of either buyer or seller. If the buyer and seller agree to trade the bushel of potatoes at \$2 and a dictator sets a price limit of \$1.80, he is economically disfranchising the seller in the market. He is doing exactly the same thing as the robber who takes the bushel of potatoes and then hands the poor victim a gratuity of what he wishes, in this case \$1.80. This is not disfranchisement of the seller by 10% — it is complete disfranchisement, and the seller is completely at the mercy of the control instead of being able to pursue his rights in a free market.

F. A. HARPER, *The Crisis of the Free Market*



GEORGE SUTHERLAND

Justice Sutherland of the United States Supreme Court was born in England in 1862, admitted to the bar in 1883, U. S. Senator from Utah 1905-1917, appointed to the Supreme Court 1922, retired 1938, died 1942. The following article is from his address as the President of the American Bar Association at its annual meeting, Saratoga Springs, N. Y., September 4, 1917.

FROM the foundation of civil society, two desires, in a measure conflicting with one another, have been at work striving for supremacy: first, the desire of the individual to control and regulate his own activities in such a way as to promote what he conceives to be his *own* good, and, second, the desire of society to curtail the activities of the individual in such a way as to promote what it conceives to be the *common* good.

The operation of the first of these we call liberty, and that of the second we call authority. Throughout all history mankind has oscillated, like some huge pen-

dulum, between these two, sometimes swinging too far in one direction and sometimes, in the rebound, too far in the opposite direction. Liberty has degenerated into anarchy and authority has ended in despotism, and this has been repeated so often that some students of history have reached the pessimistic conclusion that the whole process was but the aimless pursuit of the unattainable.

I do not, myself, share that view. In all probability we shall never succeed in getting rid of all the bad things which afflict the social organism — and perhaps it would not be a desirable result if

we should succeed, since out of the dead level of settled perfection there could not come that uplifting sense of moral regeneration which follows the successful fight against evil, and which is responsible for so much of human advancement—but I am sure that in most ways, including some of the ways of government, we are better off today than we have ever been before. It is, however, apparently one of the corollaries of progressive development that we get rid of old evils only to acquire new ones. We move out of the wilderness into the city and thereby escape the tooth and claw of savage nature, which we see clearly, only to incur the sometimes deadlier menace of the microbes of civilization, of whose existence we learn only after suffering the mischief they do.

Today, as always, eternal vigilance is the price of liberty—liberty whose form has changed but whose spirit is the same. In the old days it was the liberty of person, the liberty of speech, the freedom of religious worship, which were principally threatened. Today it is the liberty to order the detail of one's daily life for oneself—the liberty to do honest and profitable business—the liberty to seek honest and remunerative investment that are in peril. In my own mind I feel sure that there

never has been a time when the business of the country occupied a higher moral plane; never a time when the voluntary code which governs the conduct of the banker, the manufacturer, the merchant, the railway manager, has been finer in tone or more faithfully observed than it is today; and yet never before have the business activities of the people been so beset and bedeviled with vexatious statutes, prying commissions, and governmental intermeddling of all sorts.

Pass a Law

Under our form of government the will of the people is supreme. We seem to have become intoxicated with the plenitude of our power, or fearful that it will disappear if we do not constantly use it, and, inasmuch as our will can be exercised authoritatively only through some form of law, whenever we become dissatisfied with anything, we enact a statute on the subject.

If, therefore, I were asked to name the characteristic which more than any other distinguishes our present-day political institutions, I am not sure that I should not answer, "the passion for making laws." There are 48 small or moderate-sized legislative bodies in the United States engaged a good deal of the time and one very

large national legislature working overtime at this amiable occupation, their combined output being not far from 15,000 statutes each year. The prevailing obsession seems to be that statutes, like crops, enrich the country in proportion to their volume. Unfortunately for this notion, however, the average legislator does not always know what he is sowing, and the harvest which frequently results is made up of strange and unexpected plants whose appearance is as astonishing to the legislator as it is disconcerting to his constituents.

This situation, I am bound to say, is not wholly unrelated to a more or less prevalent superstition entertained by the electorate that previous training in legislative affairs is a superfluous adjunct of the legislative mind, which should enter upon its task with the sweet inexperience of a bride coming to the altar. As rotation in crops — if I may return to the agricultural figure — improves the soil, so rotation in office is supposed to improve the government. The comparison, however, is illusory, since the legislator resembles the farmer who cultivates the crops rather than the crops themselves, and previous experience, even of the most thorough character, on the part of the farmer has never hitherto been supposed to destroy

his availability for continued service.

I think it was the late Mr. Carlyle, who is reported to have made the rather cynical observation that the only acts of Parliament which were entitled to commendation were those by which previous acts of Parliament were repealed. I am not prepared to go quite that far, though I am prepared to say that in my judgment an extraordinarily large proportion of the statutes which have been passed from time to time in our various legislative bodies might be repealed without the slightest detriment to the general welfare.

Throughout the country the business world has come to look upon the meeting of the legislature as a thing to be borne rather than desired, and to regard with grave suspicion pretty much everything that happens, with the exception of the final adjournment, a resolution to which end, unless history has been singularly unobservant, has never thus far been withheld by general request.

Good Intentions Only

The trouble with much of our legislation is that the legislator has mistaken emotion for wisdom, impulse for knowledge, and good intention for sound judgment. "He means well" is a sweet and whole-

some thing in the field of ethics. It may be of small consequence, or of no consequence at all, in the domain of law. "He means well" may save the legislator from the afflictions of an accusing conscience, but it does not protect the community from the affliction of mischievous and meddling statutes.

A diffused desire to do good — an anxious feeling about progress — are not to be derided, of course, but standing alone and regarded from the viewpoint of practical statesmanship, they leave something to be desired in the way of complete equipment for discriminating legislative work. Progress, let me suggest, is not a state of mind. It is a fact, or set of facts, capable of observation and analysis — a condition of affairs which may be cross-examined to ascertain whether it is what it pretends to be. But you cannot cross-examine a mere longing for goodness — an indefinite, inarticulate yearning for reform and the uplift — or an uneasy, vague state of flabby sentimentalism about things in general.

In matters of social conventionality we are still rigidly conservative, but in the field of government there is a widespread demand for innovating legislation — a craze for change. A politician may advocate the complete repudiation of

the Constitution and be regarded with complacency, if not with approval as an up-to-date reformer and friend of the people, but let him appear in public wearing a skirt instead of a pair of trousers and the populace will be moved to riot and violence.

Impatience Undermines Freedom

The difficulty which confronts us in all the fields of human endeavor is that we are going ahead so fast — so many novel and perplexing problems are pressing upon us for solution — that we become confused at their very multiplicity. Evils develop faster than remedies can be devised. Most of these evils, if left alone, would disappear under the powerful pressure of public sentiment, but we become impatient because the force of social organism is not sufficiently radical and the demand goes forth for a law which will instantly put an end to the matter.

The view which prevailed a hundred years ago was that the primary relation of the government to the conduct of the citizen was that of the policeman, to preserve the peace and regulate the activities of the individual only when necessary to prevent injury to other individuals or to safeguard the public; in short, to exercise what is comprehended under the term "police power." It is true

that the government was not rigidly confined to these limits, but whenever it undertook to go beyond them it assumed the burden of showing clearly the necessity for so doing. The whole philosophy found its extreme expression in the Jeffersonian aphorism — "That government is best which governs least," while Lord Macaulay's terse summary was, "The primary end of government is the protection of the persons and property of men."

Of course with the tremendous increase in the extent and complexity of our social, economic, and political activities, alterations in the scope and additions to the extent of governmental operations become inevitable and necessary. To this no thoughtful person objects, but unfortunately the governmental incursions into the new territory are being extended beyond the limits of necessity and even beyond the bounds of expediency into the domain of doubtful experiment.

When Vices Become Crimes

There is, to begin with, an increasing disposition to give authoritative direction to the course of personal behavior — an effort to mold the conduct of individuals irrespective of their differing views, habits, and tastes to the pattern, which for the time being

has received the approval of the majority. Under this process we are losing our sense of perspective. We are constantly bringing the petty shortcomings of our neighbors into the foreground so that the evil becomes overemphasized, while the noble proportions of the good are minimized by being relegated to the background. We have developed a mania for regulating people. We forbid not only evil practices, but we are beginning to lay the restraining hand of law upon practices that are at the most of only doubtful character. We not infrequently fail to distinguish between crimes and vices, and we are beginning almost to put in the category along with vices and offensive habits any behavior which happens to differ from our own.

I do not, for example, question the moral right of the majority to forbid the traffic in intoxicating liquor, nor its wisdom in doing so. No doubt the world would be better off if the trade were entirely abolished, but some of the states have recently gone to lengths hitherto undreamed of in penalizing the mere possession of intoxicating liquor and — since no one can use liquor without having the possession of it — thereby penalizing its personal use no matter how moderate such use may be. To put the consumer of a glass of beer in the penitentiary

along with the burglar and the highwayman is to sacrifice all the wholesome distinctions which for centuries have separated debatable habit from indisputable crime. Such legislation, to say the least, constitutes a novel extension of the doctrines of penology.

Hitherto, laws on the subject have taken the form of prohibiting and penalizing the traffic, but not the personal use, which seems to have been quite generally regarded as falling outside the scope of the criminal law. The use of intoxicants or tobacco, however injurious to the user, has not generally been thought to involve the element of immorality. Hence the attempt to coerce an abandonment of such use by punitive legislation directed against the user, however desirable the result itself may be, will inevitably run counter to the sentiment, still rather widely entertained, that the imposition of criminal penalties for any purely self-regarding conduct, can only be justified in cases involving some degree of moral turpitude.

Legislated "Goodness"

It does not require a prophet to foresee that laws of this character exacting penalties so utterly disproportionate to the offense, can never be generally enforced, and to write them into the statutes to be cunningly evaded or con-

temptuously ignored will have a strong tendency to bring just and wholesome laws dealing with the liquor question into disrepute.

It is sometimes a matter of nice discrimination to determine, as between the liberty of the citizen and the supposed good of the community, which shall prevail. The liberty of the individual to control his own conduct is the most precious possession of a democracy and interference with it is seldom justified except where necessary to protect the liberties or rights of other individuals or to safeguard society. If widely indulged, such interference will not only fail to bring about the good results intended to be produced, but will gravely threaten the stability and further development of that sturdy individualism, to which is due more than any other thing our present advanced civilization.

In passing legislation of this character, doubts should be resolved in favor of the liberty of the individual, and his power to freely determine and pursue his own course in his own way should rarely be interfered with, unless the welfare of other individuals or of society clearly requires it. "Human nature," says Mill, "is not a machine to be built after a model, and set to do exactly the work prescribed for it, but a tree which requires to grow and develop itself

on all sides, according to the tendency of the inward forces which make it a living thing."

Human nature is so constituted that we freely tolerate in ourselves what we condemn in others, and we are prone to condemn traits of character in others simply because we do not find the same traits in ourselves. Very often the evil is in the eye of the beholder rather than in the thing beheld, for he is a man of rare good sense who can always distinguish between an evil thing and his own prejudices.

Self-Discipline Outlawed

One objection to governmental interference with the personal habits, or even the vices of the individual, is that it tends to weaken the effect of the self-convincing moral standards and to put in their place fallible and changing conventions as the test of right conduct, with the consequent loss of the strengthening value to the individual of the free exercise of his rational choice of good rather than evil. *Enforced* discipline can never have the moral value of *self-discipline*, since it lacks the element of cooperating effort on the part of the individual which is the very soul of all personal advancement.

We may, therefore, well pause to consider whether the benefits which will result to society from

a given interference of this character are sufficiently important to compensate for the loss of that fine sense of personal independence, which more than any other quality has enabled the Anglo-Saxon race to throw off the yoke of monarchical absolutism and substitute democratic self-government.

It must not be forgotten that democracy is after all but a *form* of government whose justification must be established in the same way that the justification of any other form of government is established; namely, by what it does rather than by what it claims to be. The errors of a democracy and the errors of an autocracy will be followed by similar consequences. A foolish law does not become a wise law because it is approved by a great many people. The successful enforcement of the law in a democracy must always rest primarily in the fact that on the whole it commends itself to a universal sense of justice, shared even by those who violate it.

Any attempt, therefore, to curtail the liberties of the citizen, which shocks the sense of personal independence of any considerable proportion of the community is likely to do more harm than good, not only because a strong feeling that a particular law is unjust lessens in some degree the reverence for law generally, but because

such a law cannot be successfully enforced, and a law that inspires neither respect for its justice nor fear for its enforcement is about as utterly contemptible a thing as can be imagined.

Burgeoning Bureaucracy

Another thing which may well give concern to thoughtful men is the tremendous increase during late years in the number and power of administrative boards, bureaus, commissions, and similar agencies, the insidious tendency of which is to undermine the fundamental principle upon which our form of government depends; namely, that it is "an empire of laws and not of men"; the meaning of which is that the rights and duties of the individual as a member of society must be defined by pre-established laws and not left to be fixed by official edict as they may be called into question from time to time. The American people have heretofore enjoyed a greater freedom from vexatious official intermeddling and arbitrary governmental compulsion than perhaps any other people in the world. Despotism has found no place among us because we have been subject to no restraint save the impartial restraint of the law, which has thus far stood superior to the will of any official, high or low.

It is not enough, however, that we should continue free from the despotism of a *supreme* autocrat. We must keep ourselves free from the *petty* despotism which may come from vesting final discretion to regulate individual conduct in the hands of lesser officials. To this end the things which organized society exacts from its members must be particularized as far as practicable by definite and uniform rules. Liberty consists at last in the right to do whatever the law does not forbid, and this presupposes law made in advance — so that the individual may know before he acts, the standard of conduct to which his acts must conform — and interpreted and applied after the act by disinterested authority — so that the true relation to one another of the conduct and the law may be clearly ascertained and declared.

It is, therefore, of the utmost importance that the authority which interprets and executes the law should not also be the authority which makes it. The law must apply to all alike. The making of law is an exercise of the *will* of the state; the interpretation and application of the law is an exercise of the *reason* of the judge. The legislator concerns himself with the question, Is the proposed law just in its general application? The official who administers the

law has nothing to do with the abstract question of its justice; his function is to ascertain what it is and whether it has been violated. The two functions are so utterly different that the necessity of vesting them in separate hands has been long recognized. To confer upon the same man, or body of men, the power to make the law and also to administer it would inevitably result in despotic government by substituting the shifting frontiers of personal command for the definite boundaries of general, impersonal law. "The spirit of encroachment," said Washington in the Farewell Address, "tends to consolidate the powers of all the departments in one and thus to create, whatever the form of government, a real despotism."

Regulation of Business

The danger, therefore, which is threatened by the multiplication of bureaus and commissions consists in the commingling of these powers. The authority conferred upon these administrative bodies is becoming less and less limited. The jurisdiction to deal with particular subjects involving the conduct of individuals is conferred in terms which tend to become increasingly indefinite. . . .

Not only are the business activities of the country being investi-

gated, supervised, directed, and controlled in such a multitude of ways that the banker, the merchant, and the men of industry generally are afloat upon a sea of uncertainty where if they succeed in avoiding the mines of dubious statutes by which they are surrounded, they are in danger of being blown up by an administrative torpedo, launched from one of the numerous submarine commissions by which the business waters are everywhere infested, but the government is invading and is threatening to more seriously invade the market place itself, not as a regulator, but as a participant and competitor. We seem to be approaching more and more nearly the point where the old philosophy that whatever can be done by the individual should not be done by the government even though it may be well done, is to be abandoned for the new and dangerous doctrine that whatever can be done by the government, even though it may be badly done, should not be permitted to the individual. . . .

The regulation and control of merely self-regarding conduct, the multiplication of administrative boards and similar agencies and the invasion of the field of private business, which I have thus far particularized, illustrate rather than enumerate the various tend-

encies of modern legislation and government to depart from those sound and wholesome principles which hitherto have been supposed to operate in the direction of preserving the individual against undue restraint and oppression.

Class legislation, the most odious form of legislative abuse, is by no means infrequent. In state and nation statutes are to be found which select for special privilege one class of great voting strength or set apart for special burdens another class of small numerical power at the polls.

Separation of Powers

Next to the separation and distribution of the legislative, executive, and judicial powers, the most important feature of our plan of government is the division of the aggregate powers of government between the nation and the several states, to the one by enumeration and to the other by reservation. I believe in the most liberal construction of the national powers actually granted, but I also believe in the rigid exclusion of the national government from those powers which have been actually reserved to the states. The local government is in immediate contact with the local problems and should be able to deal with them more wisely and more effectively than the general government hav-

ing its seat at a distance. The need of preserving the power and enforcing the duty of local self-government is imperative, and especially so in a country, such as ours, of vast population and extent, possessing almost every variety of soil and climate, of greatly diversified interests and occupations, and having all sorts of differing conditions to deal with.

There is, unfortunately, however, a constantly growing tendency on the part of the general government to intrude upon the powers of the state governments, more by way of relieving them from responsibilities they are willing to shirk than by usurping powers they are anxious to retain. Especially does any inroad or suggested inroad upon the federal treasury for state purposes meet with instant and hearty approval. The grave danger of all this is that the ability as well as the desire of the people of the several states to carry their own burdens and correct their own shortcomings will gradually lessen and finally disappear, with the result that the states will become mere geographical subdivisions and the federal character of the nation will cease to exist save as a more or less discredited tradition.

These and many other matters afford temptation to further discussion to which I cannot yield

without undue trespass upon your patience, which I feel has already been quite sufficiently taxed.

Human Dignity and Property

Fifty years ago a great French writer—Laboulaye, I think it was—speaking through the lips of one of his American characters, uttered these words of wisdom and of power, words which are as true today as they were when they were written:

The more democratic a people is, the more it is necessary that the individual be strong and his property sacred. We are a nation of sovereigns, and everything that weakens the individual tends toward demagoguery, that is, toward disorder and ruin; whereas everything that fortifies the individual tends toward democracy, that is, the reign of reason and the Evangel. A free country is a country where each citizen is absolute master of his conscience, his person, and his goods. If the day ever comes when individual rights are swallowed up by those of the general interest, that day will see the end of Washington's handiwork; we will be a mob and we will have a master.

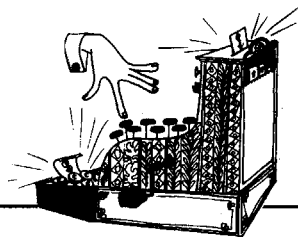
It is now as it has always been, that when the visionary or the demagogue advocates a new law or policy or scheme of government which tends to curtail the liberties of the individual, he loudly insists

that he is acting for the general interest and thereby surrounds his propaganda with such a halo of sanctity that opposition or even candid criticism is looked upon as sacrilege.

But the time has come when every true lover of his country must refuse to be misled or overawed by specious claims of this character. Individual liberty and the common good are not incompatible, but are entirely consistent with one another. Both are desirable and both may be had, but we must demand the substance of both and not accept the counterfeit of either. Crimes, we are told, have been committed in the name of liberty. But either the thing that was called a crime was no crime or the name of liberty was profaned, as though one should become an anarchist in the name of order.

Liberty and order are the two most precious things beneath the stars. The duty which rests upon us of this generation is the same that has rested upon all the generations of the past; to be vigilant to see and absolute to repel every attempt, however insidious or indirect, to destroy liberty in the name of order, or order in the name of liberty, for the alternative of the one is despotism and of the other the mob. ♦

Private Enterprise in the Public Interest



*from the 1965 Annual Report of the
United States Steel Corporation.*

PRIVATE ENTERPRISE is freedom to produce and sell, and freedom to buy and consume; and the consumer, as well as the producer, is an integral part of the private enterprise system—indeed, the consumer also is in a way a private enterpriser. As an economic system, private enterprise is characterized by competition, open markets, private ownership, and private initiative. Producers take production initiative on the basis of price and profit-and-loss signals essentially given by consumers.

Thus on the firing line of open competitive production is the business firm—an individual or a group of individuals. The firm pools the savings and plans of investors and the talents and energies of employees with the expectancy of meeting some particular demand of the consumers and with the hope of earning a profit for the owners. To prosper—in-

deed to survive—the firm must serve the public, that is, the public interest. But running a business is a risky operation as the public is a hard taskmaster, quick to switch its life-or-death patronage from any firm it deems lacking.

Private enterprise is open to all comers. Anybody with an idea for enterprise and the requisite capital is free to start a business. Quite a few people, some even without any money of their own, have had such ideas. In fact, there are now some 11 million businesses, including farms, in the United States. The overwhelming proportion are sole proprietorships and partnerships and only about 11 per cent of the total are corporations. . . .

The Consumer's Interest

The consumer's interest in private enterprise is in getting more

and more for less and less — with maximum freedom of choice. So naturally the consumer — Mr. Everybody, the entire American public — is keenly interested in private enterprise, because private enterprise is the consumer's servant, and consumer choice is the heart of private enterprise.

Thus through the cash register or company order book, through his power of purchase or nonpurchase, the customer speaks to and — in the sense that actions speak louder than words — for American business. Moreover, he possesses virtually an absolute veto over every major decision of a firm. He largely decides the public interest in private enterprise because, collectively, he is the public — as well as a key participant in the business system.

His power is crucial. Every cost of doing business — every tax, wage, salary, fringe benefit, material cost, interest payment, and so on — must be ultimately sought from one and only one source, the cost-aware customer.

His purchase therefore sanctions a firm's prices, makes production and jobs possible, and sustains the very life of the business. In effect he assigns profits to those firms he deems in his interest — the public interest — and these firms prosper and expand. At the same time he assigns

losses to those firms he deems not in his interest — the public interest — and these firms, unless they mend their ways, weaken and eventually fail. Thus, under private enterprise it is said, wisely, that the customer is king — the consumer is sovereign.

To be sure, consumer sovereignty is not absolute; the producer also has freedom of choice. He can choose his industry or field of endeavor, where and how he wishes to operate, the prices he would like to get, but in the long run he cannot sell below cost nor above competitive prices. Nevertheless, it is the consumer who ultimately decides in effect what and how much will be produced, by whom, and at what price it will be sold.

Another point on the consumer's interest: The marketplace is democratic to an almost unimaginable degree in the political realm. Every day is Election Day in the market. Each purchase is a vote, and a company's sales is its tabulation of consumers' ballots, the customers' dollar. For each company there is neither tenure nor a fixed term of office. A big business can be voted small, a small business can be voted big, and any business can be voted out of office.

So through his dollar votes the consumer, who may also be an

employee or investor or both, ever adjusts supply — and suppliers — to demand, to the public interest.

The Employee's Interest

The employee's interest in private enterprise is his job, for it is the source of his well-being. He too is keenly interested in maximum freedom of choice. He is born a free man in a country in which opportunity and equality of opportunity are unexcelled in the world. He can choose his career from available opportunities, decide how hard he wishes to pursue it, select where to live and work. These are his personal decisions.

Naturally, he is also interested in business growth, which means job opportunity growth and wage and salary growth. American wage and salary scales are far and away the highest in the world, and the job-sustaining and job-creating ability of the private enterprise system, for all the talk of automation, has never been in greater evidence.

He should likewise be interested in profits. Some assert that wages and profits are in opposition, that profits exist only at the expense of wages. Nothing could be further from the truth. Private enterprise is based on competition and cooperation — not conflict. Labor and capital are in natural partnership

— each is dependent upon the other. And from the employee's point of view, the more capital the better; and since profit attracts capital, the more profit the better. For capital is the key to productivity, and out of improving productivity alone comes all continuing real wage and salary improvement as well as gains to consumers, governments, and investors.

Little wonder, then, that capital investment per employee in America clearly exceeds capital investment per employee in all other countries. It follows that American wages and employee benefits arise out of America's tremendous capital productivity which, in turn, arises out of the private enterprise system. Plainly, these wages and benefits — and job opportunities — are not bestowed by benevolent governments nor, for that matter, by aggressive union leaders or magnanimous business employers.

The consumer in the final analysis is the real employer; his purchase creates job opportunities. It is his dollar that meets the payroll. It is his nonpurchase which rejects uneconomic wage scales or shoddy workmanship, and workers so rejected may well find little consolation in being the highest-priced and most unemployed workers in the world. So, in a very real sense,

the employee doesn't work for the employer; he works for the consumer.

Thus job-creation will continue to go on, provided wage rates are responsive to the consumer's interest; provided savers and investors, in their investment function of providing tools, have the incentive to go forward; and provided the intricate price mechanism that governs the billions of daily transactions through innumerable continually changing prices in the American economy remains self-governing.

The Government's Interest

The government's interest in private enterprise should be in the vitality of business. Business can prosper, economic growth can continue, and tax revenues can be sustained only when essential governmental duties are properly performed. Such duties include maintaining law and order, safeguarding property and contracts, and securing the individual from violence from within or without.

But governments can overreach themselves and set back the cause of "Life, Liberty, and the pursuit of Happiness." For the tendency of governments throughout history has been to assume supreme economic insight, to inflate the money supply, to introduce rigidity ("stability") into economic af-

fairs, to favor some groups at the expense of others, to fix "reasonable" prices and "reasonable" profits; in short, to intervene in normal everyday business decisions and upset the entire competitive mechanism, all too frequently in the name of "the public interest."

The Investor's Interest

The investor's interest in private enterprise is in putting his money to work profitably. This is vital to him, to private enterprise, to government, and to the entire American society. He is one of millions of direct investors, including 20 million shareholders, who have supplied job-creating capital to business through risking their savings. In addition, he is one of more than 100 million indirect investors who, through their savings deposits, insurance policies, and pension fund participation, invest in American business.

The investor's key problem: He must decide where and how to invest. In this he is motivated by powerful, if quite different, drives — the hope of gain and the fear of loss. The investor readily recognizes that management plays a crucial role, that enterprise and risk go hand in hand, that today's return on operations could turn into tomorrow's loss.

Importantly, however, the in-

vestor is not committed to his investments. He is also a free agent — most willing to hold or even increase his investments when he deems their yields right and risks reasonable. But, at the same time, whenever he thinks yields are unsatisfactory or risks too great, he can switch his investments — sell his stocks, bonds, or properties and use the proceeds for other investments — or, if he lacks confidence in the future, he may not invest at all. In any event, investing or disinvesting, he keeps a constant watch on profitability which, as noted, is essentially a signal from consumers.

Through the profit incentive, then, comes a mighty flow of invested savings: the capital that makes modern private enterprise possible; that keeps it on its toes; that provides employees with tools — factories and machinery — which

make job opportunities, high productivity, and high wages a reality; that enables producers to furnish the goods and services which the consumer desires at prices he is willing to pay. Thus, three factors of overriding importance govern the investor's interest: savings, confidence in the future, and the prospect of profit.

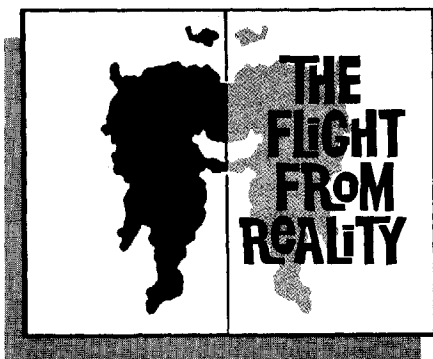
Thus, private enterprise and the decisions of private enterprise — decisions shared by all Americans — inherently and most democratically reflect the public's wishes, the public's interest. Interference with the decisions of private enterprise in the name of the public interest thus amounts, ironically, to interference with the public interest. For the decisions of private enterprise are the decisions of the people, by the people, for the people. ◆

IDEAS ON LIBERTY

Political Decisions

THE EXPANSION OF GOVERNMENT to its present scale has politicalized virtually all economic life. The wages being paid most workers today are political wages, reflecting political pressures rather than anything that might be considered the normal working of supply and demand. The prices farmers receive are political prices. The profits business is earning are political profits. The savings people hold have become political savings, since their real value is subject to abrupt depreciation by political decisions.

SAMUEL LUBELL, *The Future of American Politics*



21.

The Bent to Destruction

CLARENCE B. CARSON

THE LORELEI is a rock with an unusual echo, in the Rhine River near St. Goar. There is an old legend surrounding the sounds emitted from this rock: the Song of the Lorelei. The legend is to the effect that a maiden who had been betrayed by a faithless lover threw herself into the river. She was turned into a siren, and her song has since that time lured fishermen to their destruction against the rock. There is a connection between this tale and the myth of Holda, the queen of the elves. The man who beholds Holda loses sight of reason. If he listens to her, he is compelled to wander with her forever.

This legend provides a kind of

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

parable for our era. And it is appropriate at this point in the account to turn to story, legend, and myth. Rational analysis of the data of history can provide us with a great deal of information and explanation about *how* we came to be where we are at present. Yet, reason and evidence are inadequate to the task; at least, the facts which this writer has in hand and his reason are inadequate to the task of describing the movement toward the triumph of reformism in America. Much as has been told, there is more that has not, or has been touched upon only lightly. Many aspects of the development and spread of ideas and methods of reform have not been described. Yet, the time has come to bring this aspect of the story to an end. This requires a summary that will hold the move-

ment up whole and grasp its character. We still want to know *why* reformers have been so determinedly attached to their effort, even in the face of the near obvious contradictions involved. For grasping things whole, reason is the wrong instrument. It proceeds by taking things apart, not by wholes. The nearest man comes to talking about things whole is by way of parable, story, poem, legend, and myth. Men have ever had a penchant for these tools of simplicity by which to see things whole, even though such accounts lack precision.

The Vision of Utopia

The song of the siren, the lure which has led reformers on and the lure they have held out to others, has been the vision of the good society they would create for the future. It has been a vision of peace, plenty, and progress, of a time when all struggle and tension would be removed from this world, when felicity and goodness would reign without end. The vision, fabricated by utopians, embedded in an historical eschatology by ideologues, rendered into a kind of idealism by philosophers, described in glowing terms for the vulgar by politicians, finally has become a mirage which men see just before their eyes. The vision has such powers of attraction that

before it men do indeed lose sight of reason and wander hither and yon over the face of the earth seeking devices to fulfill it.

The rock upon which the reformers are continually shipwrecked is, above all, human nature and the nature of the universe. The projections from the rock may be described in many ways, however. They are the attempts to apply force to the accomplishment of ends which can only be achieved by willing consent. They are the tendencies to concentrate power and to leave it unchecked in the hands of men. They are the treatment of men as if they were things.

But why, it may be asked, if the boats launched by reformers are one after another and time and again foundering upon the same rock, are markers not placed around the rock and why do not pilots take care to avoid it? We know, of course, from earlier exposition that reformers have cut themselves off from their experience; they have deactivated history. But the answer runs deeper than this. The answer will not be believed at first, for it appears incredible. The reformers will the destruction: part of it intentionally, part of it unintentionally through the methods that they employ.

The reformist effort does founder upon the rock of human nature,

but that is only part of the story. Reformism appeals to something deep and enduring in human nature. Reformism appeals to the desire to destroy, the desire to build or reconstruct, and the will to power. (The latter—the will to power—will not be discussed at this point in the account.) Thus far, the story of the flight from reality has been told largely in terms of the vision of a reconstructed society which has lured men on. Destruction, however, is what we encounter when we follow the trail left by reformers. In the wake of reformers we find customs and traditions trampled upon, sacred beliefs gutted and lifeless, institutions toppled, constitutions rifled, the wreck and ruin of economies, and the lives of peoples in disarray because of the dissolution of moral codes.

These things are justified in the ethos of the reformer, for the destruction is claimed to be the necessary clearing away of the rubble that must precede the reconstruction. That they are destroying when they claim to be building also is not clear to them. My point here is that destruction is not simply a device for getting rid of the old, not merely an unintended consequence of the methods employed and the ends sought, but part and parcel of the appeal of the reformist effort.

Civilizing Inhibitions and the Urge to Destroy

I suspect that each of us has within his breast a desire to wreck, to plunder, to lay waste, to make havoc—in a word, to destroy. It may be tamed by civilization, be held in abeyance by the threat of punishment, be inactivated by the Grace of God, but it is nonetheless there. Some find innocuous ways for it to come out. They follow the fire trucks to the scene of the fire to watch the building burn. They line the highway in the vicinity of a collision of automobiles in order to view the wreckage. They stand on the sidewalks and peer up at the work of men who have been employed to wreck old buildings. Other men find more subtle ways to express their urge to destroy. They defame men, denigrate conventions, make wisecracks, write satires, hold up to scorn, sneer at, and make fun of things held sacred by others. When civilizing inhibitions are removed, the bent to destruction in men comes out ever more violently, as those who have participated in wars may testify.

Reformism (and its more lethal companion, revolution) focuses attention upon and sanctions destruction in an area that is particularly rewarding for the release of the bent to destruction. It sanctions as assault upon civilization itself. Every person of any spirit

and initiative must have felt the galling burden of customs, of traditions, of rules, of regulations, of the mysterious imperatives of an adult world when he was growing up. Many surely have resented the restrictions that private property represent, the limitations that the rights of others impose upon them, the hardness of the discipline imposed upon them by having to learn the structure of the language, the workings of mathematics, and the lessons of history. Any healthy child surely can think of more exciting things to do than sit in a church or a schoolroom. The young child knows only the order that is exemplified and imposed upon him by adults. This order will seem arbitrary and capricious to him quite often; he would not be equipped to understand it if it were explained to him, and the adults who accept the order often have not thought it out themselves. The child does not even know his own nature, much less that of the universe; instead, he feels his impulses strongly and hardly understands why he cannot follow their promptings.

The resentment of and resistance to the restraints of civilization usually reaches its peak in adolescence when the youth is being pressed into the role of manhood. He must learn to subdue his impulses himself, must undergo

the disciplinary rigors of learning to do some job, must prepare himself for the responsibilities that attend being an adult. Ahead of him looms the routine and order into which the lives of men must fall if they are to be effective.

Reformist Appeals to the Adolescent in Man

The reformer (or revolutionary, as the case may be) offers a most attractive alternative to this prosaic ordering of one's life. He holds out the prospect of casting off the galling restrictions, leaving behind the authority of the past, having done with that which hampers and restrains the full and free development of personality. He offers a license to the adolescent — and some of the adolescent remains in men — to lash out and destroy the appurtenances of civilization which have so often set unwanted bounds to his activities. More, when he has destroyed the old, he can build a new society in keeping with his wishes. Thus does the reformer conjure up a prospect that appeals both to the delinquent and the constructive in us. We have been studying the development of a mental outlook which, when accepted, perpetuates this moment of adolescence throughout life and within which the vision of the reformer appears attainable.

Turgenev Points the Problem

The bent to destruction of reformist intellectuals was pinned down and imaginatively portrayed by Russian novelists in the latter part of the nineteenth century. It is ironic, in view of later developments, that it should have been Russians who saw with such luminous clarity the nature of the ill that was even then becoming epidemic among intellectuals. The bent to destruction reaches its *intellectual* epitome in a nonphilosophy called nihilism. Ivan Turgenev laid bare this particular viewpoint in 1862 in the novel, *Fathers and Children* (also called, sometimes, *Fathers and Sons*). It is a novel of ideas, but it is not simply a novel of ideas. Turgenev tells an engrossing story with characters who come alive on the pages of the novel.

The novelist takes for his theme a universal condition: the differences between the older and younger generations and the conflicts that arise from them. But it is particularized as to time, place, and people. The setting is in the provinces of Russia, and the time is past the mid-point of the nineteenth century. The parents are landlords and would-be liberals of the nineteenth century variety. They would have their sons believe that they believe in and practice the new ways. Both fathers in-

volved are eager to hold on to the affections of their sons, anxious to please them, and cautious about doing or saying anything that might alienate them. Yet they are men of tradition, also; their liberalism has not cut them off from their past. It has only made them uncertain about taking a stand against any change or any new viewpoint.

The sons are home for the summer from college. There are two families involved in the story, the Kirsanovs and Bazarovs. Young Kirsanov has just graduated from college. Bazarov is a young physician who has not yet completed his work at the university. Bazarov is the nihilist, and, when the story begins, Kirsanov is his worshipful disciple. Bazarov is a veritable bull in the delicate china shop of human relations. He proudly proclaims in the presence of the elder Kirsanovs that he is a nihilist, or rather young Kirsanov does for him.

"A nihilist," said Nikolai Petrovich [Kirsanov, the father]. "That comes from the Latin *nihil*, *nothing*, as far as I can judge; the word must mean a man who . . . recognizes nothing?"

"Say — who respects nothing," interposed Pavel Petrovich [Kirsanov, an uncle] and lowered his knife with the butter on it.

"Who regards everything from the

critical point of view," said Arkady [young Kirsanov].

"Isn't that exactly the same thing?" asked Pavel Petrovich.

"No, it's not the same thing. A nihilist is a person who does not bow down to any authority, who does not accept any principle on faith, however much that principle may be revered."¹

Bazarov takes up the delineation of his view a little farther on in the story.

"A decent chemist is twenty times more useful than any poet," interrupted Bazarov.

"Oh, indeed!" remarked Pavel Petrovich.... "So you don't acknowledge art?"

"The art of making money or of advertising pills!" cried Bazarov, with a contemptuous laugh.

"Ah, just so; you like joking, I see. So you reject all that. Very well. So you believe in science only?"

"I have already explained to you that I don't believe in anything; and what is science — science in the abstract? There are sciences, as there are trades and professions, but abstract science just doesn't exist."²

Elsewhere, Bazarov explains his position more fully.

"We act by virtue of what we recognize as useful," went on Bazarov. "At present the most useful thing is denial, so we deny —"

¹ Ivan Turgenev, *Fathers and Children*, intro. Ernest J. Simmons (New York: Rinehart & Co., 1948), p. 24.

² *Ibid.*, p. 28.

"Everything?"

"Everything."

"What? Not only art, poetry . . . but . . . the thought is appalling . . ."

"Everything," repeated Bazarov with indescribable composure. . . .

"But allow me," began Nikolai Petrovich. "You deny everything, or to put it more precisely, you destroy everything . . . But one must construct, too, you know."

"That is not our business . . . we must first clear the ground."³

The Object Is Reform

We learn eventually, however, that nihilism does have a function; it is preparing the way for reform. This time the conversation is between Bazarov and a woman. Bazarov has been maintaining that all people are essentially alike, that significant differences are the product of disease or poor education. He continues:

"... We know more or less what causes physical ailments; but moral diseases are caused by bad education, by all the rubbish with which people's heads are stuffed from childhood onwards, in short, by the disordered state of society. Reform society, and there will be no diseases. . . ."

"And you suppose," said Anna Sergeevna, "that when society is reformed there will be no longer any stupid or wicked people?"

"At any rate, in a properly or-

³ *Ibid.*, p. 56.

ganized society it will make no difference whether a man is stupid or clever, bad or good."

"Yes, I understand. They will all have the same spleen."

"Exactly, madam."⁴

Bazarov's stance is that of a god. He views all beings as objects. Even human beings are objects to be studied and discerned just as all other objects. The differences between men and frogs are unessential to him. He makes this clear in a conversation with peasants while he is hunting frogs for his experiments.

"What do you want frogs for, sir?" asked one of the boys.

"I'll tell you what for," answered Bazarov . . . ; "I shall cut the frog open to see what goes on inside him, and then, as you and I are much the same as frogs except that we walk on legs, I shall learn what is going on inside us as well."⁵

Bazarov makes it clear in other connections that this is to be taken literally. What goes on inside people is either physical or it is of the nature of illusion. Faith is an illusion. Principles are only illusions. Even the sentiment of love is an illusion; it is all a matter of sex, which is all a matter of physiology. It follows from this that human beings are to be studied,

manipulated, and made to conform to the correct pattern as are other things. Such are the premises from which melioristic reform (as well as revolution) must proceed. Sociology is the instrument for studying the ills of society and correcting them just as medicine is that for studying the body (though Bazarov does not say so). The god-like stance of Bazarov, the clinical attitude, the lack of emotion, the treating of all beings as objects, the absence of all values (except for the ultimate one of a reconstructed society), the use of nature in the existential sense as a model, are the appropriate tools for the social reformer.

Mortal, After All

But Bazarov was not a god, any more than other men are. Arkady Kirsanov assured Bazarov's father that his son would be a great man some day. Not in medicine, most likely, but in some broader field where his talents would have full play. Perhaps in government service, who knows? None of this was to be. Even before the end, there are many intimations that Bazarov is only a man, culture bound and limited, moved by those passions that spring from the deeper nature of man, living in a universe that is not fundamentally altered by genius and talent. Although his

⁴ *Ibid.*, p. 95.

⁵ *Ibid.*, p. 21.

ideas would place him above such things, Bazarov fought a duel with Arkady Kirsanov's uncle. Nor did he evade the fate of most humans; he fell in love, blindly, irrationally, and passionately. Even in his relations with his parents, he showed more sensitivity than his ideas would warrant. To the extent that he falls short of living up to his ideas he becomes understandable and almost a character with whom we can sympathize.

Bazarov dies at the end of the book. He dies young, even in that same fateful summer away from the university. The cause and manner of his death are prosaic enough. He has assisted a physician in performing an autopsy on a typhus case. In so doing, he cut himself, and the medical instruments were filthy enough if they had not been employed on the matter in hand. In consequence, he gets blood poisoning and dies. There is nothing out of the ordinary in all this. After all, Bazarov was a physician, a man of medicine, a student, and might be expected to avail himself of any opportunity to advance his skill. He had not, as he explains, had an occasion to open up a man before. Yet all of these details are joined to the main theme and bring it to its appropriate conclusion. There is no civilized act that more aptly demonstrates the treatment

of the human body as an object than the performing of an autopsy. There is no more common instance nor better illustration of human weakness than of a man cutting himself with a sharp instrument. The god-like Bazarov had succumbed to this weakness in the very area of his specialization. Nature makes no exceptions even for a Bazarov; germs enter a cut in his flesh and blood poisoning follows its course in him as for other men.

The skill of physicians cannot aid him in the end. He does receive solace in his last waking moments from the one he has loved, for she has come to be with him. The concluding conversation leaves little doubt of the author's point. Bazarov is speaking:

"Ah, Anna Sergeyevna, let's speak the truth. It's all over with me. I've fallen under the wheel. . . ."

". . . You see, what a hideous spectacle, a worm, half-crushed, but writhing still. Of course I also thought, I'll break down so many things, I won't die, why should I? There are problems for me to solve, and I'm a giant! And now the only problem of this giant is how to die decently, though that too makes no difference to anyone. . . ."

And, at last,

"Good-by," he said with sudden force, and his eyes flashed with a parting gleam. "Good-by . . . Listen

... you know I never kissed you then. ... Breathe on the dying lamp and let it go out."

Anna Sergeyevna touched his forehead with her lips.

"Enough," he murmured, and fell back on the pillow. "And now ... darkness ..."⁶

The giant had fallen; the god was dead.

"Crime and Punishment"

Fyodor Dostoevsky, another and more famous Russian novelist, illustrated the destructiveness and futility of the reformer in another way. He probably wrote more novels exploring the psyche of the reformer and revolutionary than has any other writer. But the particular novel to which I would refer is *Crime and Punishment*. The main character of the story is a student (or a former student, for he had dropped out of school) by the name of Raskolnikov. One of the main ideas which the novel explores is the possibility of doing good by first doing evil. (This is surely the central ethical problem for social reformers and revolutionaries, however much it may be obscured by subtleties.) The story, of course, is about a murder and a murderer; the murderer is Raskolnikov.

In the course of the novel, he murders an old woman, a pawn-

broker. But before this occurs, while the idea is just taking shape in his mind, he overhears a student and a young officer discussing the justice of the murder of this old woman. They talk about how wealthy she is, how she gives her patrons only a small portion of the value of their articles, and how she sells them for many times what she has paid for them. Not only that but she has a half-sister, a much younger woman, who lives with her and whom she treats like a servant. Not only does the half-sister work for the old pawnbroker but she cooks, washes, sews, and serves as a charwoman for her. The pawnbroker already has made a will; its contents are known to the half-sister, who virtually has been disinherited. The bulk of the woman's wealth is to go to a monastery to pay the monks to pray for her. All of this prompts the student to remark that he "could kill that damned old woman and make off with her money, I assure you, without the faintest conscience-prick."

They then discuss the matter more seriously.

"Listen, I want to ask you a serious question," the student said hotly. "I was joking of course, but look here; on one side we have a stupid, senseless, worthless, spiteful, ailing, horrid old woman, not simply useless but doing actual mischief, who has

⁶ *Ibid.*, pp. 225-226.

not an idea what she is living for herself, and who will die in a day or two in any case. . . .

"Well, listen then. On the other side, fresh young lives thrown away for want of help and by thousands, on every side! A hundred thousand good deeds could be done and helped, on that old woman's money which will be buried in a monastery! Hundreds, thousands perhaps, might be set on the right path; dozens of families saved from destitution, from ruin, from vice, from the Lock hospitals — and all with her money. Kill her, take her money and with the help of it devote oneself to the service of humanity and the good of all. What do you think, would not one tiny crime be wiped out by thousands of good deeds? For one life thousands would be saved from corruption and decay. One death, and a hundred lives in exchange — it's simple arithmetic! Besides, what value has the life of that sickly, stupid, ill-natured old woman in the balance of existence! No more than the life of a louse, of a black beetle, less in fact because the old woman is doing harm. She is wearing out the lives of others. . . ."⁷

The officer agrees that the woman does not deserve to live, but, then, he announces, somewhat ambiguously, that her living is a matter of nature, that, in effect, there is nothing to be done about it. The

student will take no such answer. He says,

"Oh, well, brother, but we have to correct and direct nature, and, but for that, we should drown in an ocean of prejudice. . . ."

The officer has had enough of abstractions and so he puts the obvious question:

"You are talking and speechifying away, but tell me, would you kill the old woman *yourself*?"

"Of course not! I was only arguing the justice of it. . . ."⁸

The student is the perfect example of the reformist intellectual. He would not personally steal and kill; he would not use terror and violence to effect his ends. But if it were done, he could see the justice of it.

Raskolnikov, who had listened to this talk with mounting excitement, lacked the intellectual's schizophrenic capacity to objectify a situation in such a way as to make evil appear good and then to deny that it is good and proper when applied to the private and personal level. Raskolnikov was on the verge of insanity, if not actually insane, but his was the insanity of subjectivism. The student was talking about what has come to be called social justice. His was that particular moral obtuseness, endemic in our era, that cannot

⁷ Fyodor Dostoevsky, *Crime and Punishment*, Constance Garnett, trans. (New York: Modern Library, no date), pp. 66-67.

⁸ *Ibid.*, p. 67.

or will not see that the moral character of an action is unaltered by raising it from an individual to a collective level. Raskolnikov, on the other hand, has the medically detectable variety of insanity; he has drawn so deeply within himself that the question posed can only be personal and individual. The student proposes that individual morality does not apply to social questions. Raskolnikov places himself outside morality, beyond good and evil, as Nietzsche phrased this position. The officer dismisses the question with the sane and common sense observation, "But I think, if you would not do it yourself, there's no justice about it." There is, in short, no essential difference between murder done by an individual acting on his own and murder done in the name of society. From this point of view, Raskolnikov's case becomes a test case for the social question as well as the individual one.

Raskolnikov does not commit murder for some great social end. It is not quite clear why he does it. He is in straitened circumstances; he long since has ceased paying his rent; he eats only occasionally; he has dropped out of school. His sister, as he sees it, is about to sacrifice herself for him by marrying a man who is well off. He could use the money that might

be obtained by robbing the old pawnbroker.

At any rate, he does the deed, not a nice, hygienic, technologically proficient murder, but done in the most horrid manner imaginable, botched as might be expected of an amateur. The author spares the reader none of the gory details. Raskolnikov takes an axe to the old pawnbroker. He attempts to rob her, but while he is about the task the half-sister, Lizavetta, comes in, and he kills her, too, by splitting her head. He gets away with a few trinkets of little value, and these he does not use.

Raskolnikov has imagined that he will commit the perfect murder. He knows, as any reader of detective stories knows, that murderers are trapped by not attending to details. If they attended to details, he thinks, there is no reason why they should not get away with murder. He theorizes that they do not attend to these matters properly because their reason is eclipsed at the time they commit the crime. But Raskolnikov is committing no crime, or so he thinks. Therefore, he can be in full possession of his faculties.

It is not neglected details, however, that bring Raskolnikov to the bar of justice. He is agitated and careless enough. Probably Sherlock Holmes would have had more than enough trivia to solve

the crime. But the policeman who finally gets Raskolnikov is no Sherlock Holmes. He is a student of the human heart and psyche. He knows that the penalties for crime are not just something artificially contrived society, that man has within his nature a need to pay these penalties. The criminal has by his act cut himself off from his humanity, from humanity, and from God. He cannot rest, at least Raskolnikov cannot, until he has confessed, repented, made retribution, and found atonement. Raskolnikov had committed a *crime*. He came to know that, and as he did he came to know the rightness of *punishment* also. No man is beyond good and evil; his very humanity is to be found in a life bounded by these poles. If he were continuing the story, the author says at the end, it would be "the story of the gradual renewal of a man, the story of his gradual regeneration, of his passing from one world into another, of his initiation into a new unknown life." It would, we gather, be the story of a man living in the consciousness of morality.

There is further interpretation to be made of this story, however. We are led to believe that we are dealing not only with the question of whether crime pays for an individual but whether it pays for larger social units. Of course,

Dostoevsky might have put in the conversation between the student and the officer only as a piece of motivation for the actions of his main character. Had this been the only novel ever written by Dostoevsky, such an explanation might be acceptable. The conversation did motivate Raskolnikov. But Dostoevsky wrote other novels. We can know from some of them, at least, that the casuistry of reformist intellectuals was one of his main themes and a great concern of his work. It is much more plausible, then, as I have suggested, that Raskolnikov's story was a test case for the social question.

There seems to be a major flaw in the story, however, if it is to be taken as a test case. The student had suggested that it would be a justified action to kill the old woman. But Lizavetta was portrayed as the innocent victim of the pawnbroker's grasping meanness. It was her treatment of Lizavetta as much as or more than anything else that made her unworthy to live. Yet Raskolnikov killed the half-sister as well as the old woman. This act is plausible enough if we are dealing only with a murder by a man. If such a murder actually had taken place, it would have been quite possible for the innocent sister to have walked in and been slain also.

But in the novel, Dostoevsky seems to have altered the happenings so much that they can no longer be applicable to the social question. The student had proposed no justification for killing Lizavetta. She was one of those who would, at least in theory, be aided by the murder. Why did not Dostoevsky so tell his story that it could be interpreted in such a way as to answer the social question?

My point is that he did. However he arrived at the conclusion, the author must have felt or known that the sister had to be killed also. The student had set forth only half of his proposition. He only held that the killing of the old pawnbroker could be justified. But the interior logic of his position leads to a question which few social reformers and revolutionaries have been willing to face, for when they do the inherent despotism of their position is revealed: namely, could the killing of those who are supposed to be helped be justified?

The Remaking of Man

Let us examine the inherent logic of the position of the social reconstructionist. The student in the novel said that nature must be changed and directed. This is the necessary position of both the meliorist and revolutionary. Taking men as they are and the situa-

tion as it is, the reforms cannot be made. Men must be remade; conditions must be changed. Choice must be taken away from men, for this leads to the conditions that are deplored, even to the existence of pawnbrokers. The initiative must be taken away from men. They must be deprived of their powers to do good and evil. The social planner must plan and direct things so that men will behave in the desired way to produce the desired ends. In brief, men as we know them must be destroyed; they must be deprived of their humanity. Men must be treated as objects or things, to be manipulated at the will of the planner. In a word, and speaking figuratively now, they must be killed.

The reformer no more divests men of their humanity, however, than Raskolnikov effectively robbed the old pawnbroker. He does cut himself off from his own humanity. By treating men as things, he wounds himself deeply. Reformist intellectuals have dreamed, above all, of ending their own alienation, of building a world in which they would be at home. Yet their approach to this by way of social reconstruction only increases the alienation, whether they are aware of it or not.

The prophetic warnings of the

Russian novelists were not heeded. Much of history since their time has been the enactment of the consequences of ideas which they foresaw. Their beloved Russia has been a principle theater for such a bloodbath. The point is that the reformist effort has a twofold impact: the old way must be destroyed—that is one; and the other is that even when they attempt to build, they destroy instead.

Thus far, an account has been given of the development of ideas, their propagation, and the adoption of methods for reform. The consequences that follow upon the application of the ideas must be examined in a like manner, that is, from an examination of the historical record. The imaginings of novelists may not be believed.

Redemption Through Love

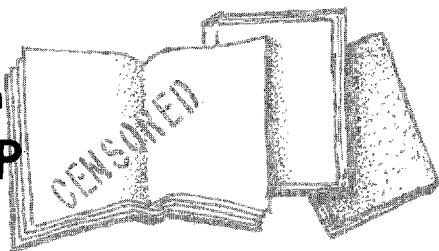
But before leaving the Russian novelists behind, there is something else we can learn from them. Neither Dostoevsky nor Turgenev wrote of reformers and revolutionaries simply to hold them up to scorn, to turn them into objects of hatred. They are men, too, not things, as we can learn from the pages of the novels. The Song of the Lorelei leads men to their destruction, but those most surely

destroyed are the reformers themselves. Their great need is to be reclaimed for humanity, and that can be done, if at all, only by love. Turgenev said this in unforgettable language in the heart-rending final passage of *Fathers and Children*. Bazarov's old parents loved him dearly and could not forget him.

... Often from the near-by village two frail old people come to visit it [the tomb of Bazarov]—a husband and a wife. Supporting one another, they walk with heavy steps; they go up to the iron railing, fall on their knees and weep long and bitterly, and gaze intently at the silent stone under which their son lies buried; they exchange a few words, wipe away the dust from the stone or tidy up some branches of a fir tree, then start to pray again and cannot tear themselves away from that place where they seem to be nearer to their son, to their memories of him . . . Can it be that their prayers and their tears are fruitless? Can it be that love, sacred devoted love, is not all powerful? Oh, no! However passionate, sinful or rebellious the heart hidden in the tomb, the flowers growing over it peep at us serenely with their innocent eyes; they tell us not only of eternal peace, of that great peace of "indifferent" nature; they tell us also of eternal reconciliation and of life without end.⁹ ♦

⁹ Turgenev, *op cit.*, pp. 232-33.

Some Thoughts On CENSORSHIP



EDMUND A. OPITZ

THE EFFORT to prevent people from obtaining certain kinds of reading matter on the grounds that its perusal may inflict damage on the minds exposed to it, springs from a "father knows best" psychology. Men of this persuasion assume that they know what is bad for people—even if the people themselves do not—and, further, that they are called upon to invoke statutory safeguards to prevent these latter from injuring themselves unawares. Paternalism is not limited to a concern for the purity of literature, however; the "father knows best" attitude is rampant in every sector of our society, and it is the key to the "liberal" mentality.

The liberal draws a clear distinction between himself and the average man. The average man, in his ignorance and innocence, is at

the mercy of his employer; he is gulled by the hucksters of the advertising profession; he is regarded as fair game by the patent medicine men, food faddists, hidden persuaders, and other such extremists. The liberal, therefore, attempts to regulate industry, fix wages, control profits, enforce social security, and otherwise protect the consumer against the wily agents of Madison Avenue and the obscene lure of tail fins.

Now, if the average man is as helpless and undiscerning as the liberal makes him out to be, why shouldn't the liberal protect average minds by screening out the garbage from the avalanche of reading matter and theater fare which engulfs the public? If it is important that we have building codes to insure safe dwellings—because the occupant couldn't possibly tell whether his own house will withstand the next storm or

The Reverend Mr. Opitz of the Foundation staff is active as a lecturer and seminar leader.

not; and if the food we eat must have the government stamp of approval, and the clothes we wear conform to regulations, then why is it not more important to authenticate the purity of that which goes into the mind? Is not that which forms our ideas and opinions more important than the externals wherewith we are clothed and housed, and even more important than the meat-cereal ratio of a hot dog? It is, of course, infinitely more important. Then why provide political guarantees of the amount of beef in a frankfurter and ignore what enters a man's mind and soul via his eyes and ears?

Arguments in this vein are as old as time, and it took centuries for the idea of liberty to make headway against them. Despotism does not merely seek to control the external conduct of men; it knows that men may conform externally even while swallowing the revulsion that seethes beneath the surface. Despotism, therefore, must seek to control men's ideas and their thoughts. Once this is accomplished, then each inner-directed man will control his own conduct willy-nilly in accord with the planner's blueprint. More likely than not, this blueprint will include an over-all plan for the economy—perhaps in the form of guilds or castes or enforced oc-

cupational and professional groupings; and it will contain a long list of the citizen's political duties. One thing it will not contain, and that is a guaranteed private sphere of individual immunity from governmental invasions—an immunity which belongs to persons as a matter of inherent right. This is the hallmark of the free society.

From Either Direction

Obviously, then, paternalism, and the disposition to regulate the lives of other people which stems from it, tends toward total regulation, no matter whether it starts with externals or internals. The inner and outer aspects of the person do not exist in watertight compartments; start with thought control and the regulation of external actions follows inevitably, given time. Begin to regulate conduct and, because actions follow ideas, propaganda and the selection of reading matter are not far behind.

The paternalistic liberal is all for protecting the average man against the consequences of his follies in all external matters; but, paradoxically, when it comes to literature he is all for *laissez-faire*. He poses as the champion of free speech, freedom of the press, academic freedom, and liberties of the mind. To make this situation

doubly paradoxical, the lower case conservative who favors freedom in general, while opposing various governmental interventions which hamstring commerce, nevertheless may sometimes respond favorably when someone whips up a move to ban a questionable book or play. The case for economic and political liberty is an old one, and it is better today than it ever was, philosophically. But it is incomplete if it does not stand four-square for every liberty of the mind. Freedom is all of a piece, and so is its opposite, regulation.

Start with Self-Control

Freedom is a remedial thing in human affairs, which means that the answers liberty would give to the problems which arise in society grow from the inside outward. Liberty does not have a ready-made set of solutions which can be plastered onto the surface of things. If the believer in freedom possessed a magic wand, one wave of which would impose libertarian solutions for all sorts of problems that now bedevil men while leaving everything else intact—including that which created the problems—he would not wave the wand, not if he understands freedom. The problem of censorship is only one among many, and there are no “instant solutions” to any problem which grows out

of human nature itself. What we can do, however, is to sort out the elements of the problem, discard what does not properly belong, and get the rest into proper focus.

If people were to cease directing their censorship efforts at literary masterpieces like *Tom Jones* and *The Merchant of Venice*, a major part of the battle of the books would be over. But how do we recognize a piece of literature when we encounter it; and once we do have a piece of literature in our hands, how do we handle the salty passages which are to be found in Rabelais, Shakespeare, and even the Bible?

John Jay Chapman once remarked that Italian opera has this superiority over the essays of Emerson, that from the operas you'd at least learn that the human race consists of two sexes! The clash of this battle never echoes within an essay by Emerson, but the love story is at the heart of great literature, from the *Book of Ruth* to *Romeo and Juliet*, right down to Aldous Huxley's last novel. Mere ribaldry does not test the novelist's powers, nor does mere sentimentality; real artistry consists in maintaining in fiction the right relation of tension between ribaldry and reverence which genuine love exhibits in life. Great works of literature do this, as a recent book somewhat ironically titled,

tries to demonstrate. (*How to Read a Dirty Book*, Irving and Cornelia Süßman. Chicago: Franciscan Herald Press, 1966. 139 pp., \$3.95.)

The bookstore browser who walks out with this book merely because the title intrigues him will be disappointed. This brief essay is a serious defense of literary values and a criticism of attempts to bowdlerize or censor great works of literature. This husband and wife team base their case on Christian premises and direct their fire especially against the misguided efforts of those people who seek to protect their neighbors from certain reading matter for presumed religious reasons. Religion is a celebration of life, and the artistic recreation of life demonstrates how every facet contributes to the whole. To try to sweep some aspect of life under the rug is an insult to the Creator. It is just as bad as idolizing some part at the expense of the whole. If the authors' case were accepted, we'd no longer witness the spectacle of well-meaning people trying to ban *Lolita* or *The End of the Affair*.

Obviously, this little book does not cover much of the field. It presupposes, for instance, that we already have some feel for literary values. Most of us don't, as a matter of fact, despite — or perhaps

because of — exposure to literature courses in college and literary magazines thereafter. Montgomery Belgion's book, *Reading for Profit*, is for the likes of us. This book had its inception in a series of lectures Mr. Belgion prepared for his fellow prisoners of war in 1941. Mr. Belgion expanded these into a book published in England in 1945. Its success was astonishing, selling upwards of 100,000 copies in the major European languages. The Henry Regnery Company was the American publisher, but unfortunately this remarkable book is now out of print. There is no better book for awakening our own appreciation of literature, by alerting us to the earmarks of literary merit.

Know the Difference

It was Goethe who observed that literature may be divided into the sickly and the healthy; but it is only after we have educated ourselves into an awareness of wherein the greatness of a literary masterpiece consists that we can make the distinction. "The final purpose of all great art," wrote Albert Jay Nock, "is that of elevating and sustaining the human spirit through the communication of joy, of felicity." Lesser art may also perform this function; there are many second- and third-rate novels that may be read with prof-

it, and the same may be said for drama and poetry.

The problem of censorship wears a somewhat different aspect once we have familiarized ourselves with the values that are embodied in great literature and which we encounter nowhere else. Life is impoverished by every attempt to tamper with these values, and an acknowledgment of this fact takes literature out of the censorship hassle. Furthermore, an appreciation of genuine literature depreciates the attractiveness of fraudulent literature — which is what pornography is.

It is sometimes argued that no one can say what is pornographic and what is not. Well, some men cannot distinguish between a good cigar and a piece of rope. The expert testimony of D. H. Lawrence may be cited on this point; expert because Lawrence's own novels came under the censor's fire and copies were burned by the hangman. But Lawrence knew literary values and he knew wherein pornography differed: "In the first place," he wrote, "genuine

pornography is almost always underworld; it doesn't come out into the open. In the second, you can recognize it by the insult it offers, invariably, to sex, and to the human spirit. Pornography is the attempt to insult sex, to do dirt on it. . . . The insult to the human body, the insult to a vital human relationship! Ugly and cheap they make human nudity, ugly and degraded they make the sexual act, trivial, cheap, and nasty. . . . This furtive, sneaking, cunning rubbing of an inflamed spot in the imagination is the very quick of modern pornography, and it is a beastly and very dangerous thing. You can't so easily expose it, because of its very furtiveness and its sneaking cunning. . . ."

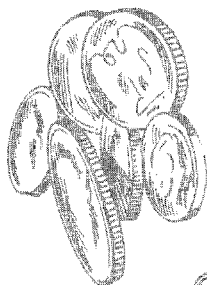
When the literary marketplace is free and when the society contains a large number of people who are keen on good literature, will there still be pornography? Yes, but it will not constitute a problem. We don't need a law to prevent healthy, well-fed people from sampling garbage! ♦

IDEAS ON LIBERTY

A Good Book

MANY A MAN lives a burden to the earth; but a good book is the precious life-blood of a master spirit, embalmed and treasured up on purpose to a life beyond life.

JOHN MILTON, *Areopagitica*



DECLINE AND FALL OF SILVER COINS

THE FIRST THING to be said about William F. Rickenbacker is that the "decline and fall of silver coins" which is the subject of his *Wooden Nickels* (Arlington House, \$3.95) hardly keeps him awake o' nights. Not in itself, that is. Our silver dollars, half dollars, quarters, and dimes form such a small part of our total money supply that their disappearance into the hoarders' socks isn't going to make much difference. The real subject of Mr. Rickenbacker's worry is something different. What he is profoundly concerned about is the inability of the modern breed of politician to realize that Gresham's Law, which says that bad money always drives out good money, is just as true and just as inexorable in its workings in our neo-Keynesian days as it was in the time of Good Queen Bess.

The reason why Mr. Ricken-

backer undertook a study of what has happened over a period of two decades to our silver currency is that it offers a classic example of Gresham's Law in operation. This is a witty book about the bungling of so-called statesmen and self-styled Treasury experts who tried to go on coining silver for monetary use at unrealistic ratios while the hoarders were snapping it up. It is the story of how three Administrations, those of Dwight Eisenhower, John F. Kennedy, and Lyndon Johnson, presided over the collapse of our subsidiary coinage without betraying even the most elementary acquaintance with the law of supply and demand. Silver coins started to vanish in the nineteen fifties. Yet even as late as 1965 an Assistant Secretary of the Treasury was still protesting that "our chicken-feed problems," meaning our troubles in keeping silver in circulation, would soon be over.

The whole fantastic record is summarized by Mr. Rickenbacker in a pithy paragraph that says the Treasury "had to lose three-quarters of its free reserves (of silver) before it awoke to the existence of an abnormality. Its immediate action was based on a faulty interpretation of the circumstances (first the numismatists were guilty; then the vending machines; then economic growth). Its subsequent actions were inadequate and delayed. It failed to anticipate the price rise in silver after it withdrew from supplying half of domestic industrial demand. . . . Every official forecast was wrong. Douglas Dillon's famous prophecy that we have enough silver to last into the 1980's, and almost any statement by poor Mr. (Robert) Wallace, will serve as samples of the uninformed, haphazard, or deliberately deceptive pronouncements that have characterized the Treasury in recent years."

Ample Warning, No Response

The real joke on the U.S. Treasury is that this reviewer, who is the veriest neophyte in coinage matters, is hailed as a prophet of the collapse of our silver coinage by Mr. Rickenbacker. Away back in 1955 I undertook to do an article on silver for *Barron's Financial Weekly*. I discovered, by talk-

ing with some real experts in the smelting business, that the industrial uses of silver were increasing every year. Steadily increasing supplies of silver were needed for photographic work, for electrical uses, for brazing and soldering, for batteries, and for vessels that were corrosion-resistant. Furthermore, I learned what every mining authority has known for years, that the production of silver is mainly a by-product of the mining of other metals. The circumstances of its new industrial uses and its limited supply could mean only one thing: that in a short time there wouldn't be enough to go around for coinage purposes at the existing relationships between silver, gold, and the paper dollar.

So I set it down in *Barron's* more than ten years ago that silver was on the way toward being demonetized. Mr. Rickenbacker is good enough to quote me at several points in his book. But I was only a second-hand prophet; I was merely reporting, as an economic journalist, what at least ten knowledgeable metal experts within a stone's throw of Wall Street were saying about silver. Incredibly, the U.S. Treasury people were to let a full decade go by without listening to the metal experts for themselves. Meanwhile, I had completely forgotten that I ever wrote the article for

Barron's. It was with quite a start that I rediscovered my own words in Mr. Rickenbacker's book.

The Vital Message

Well, the incompetence of government need never surprise anybody. Luckily, as Mr. Rickenbacker points out, precious metals are not needed in a subsidiary coinage. We do need, however, a Treasury Department that knows something about Gresham's Law. The behavior of the Treasury in the prolonged farce of the vanishing silver dollars and half-dollars is rather terrifying proof that nobody in Washington has any savvy about the proclivity of people for hoarding valuable items when adulterated money is flooding the market.

Says Mr. Rickenbacker: "We cannot bid farewell to silver without profound foreboding." For, in its "minor fashion," the disappearance of silver coins has measured "the speed of our monetary debauch." Now that the silver quarter has been replaced by the cupro-nickel quarter, which looks like "a salami sandwich made with moldy bread," the United States is on what amounts to "a completely fiat basis." For the "first time since 1792," so Mr. Rickenbacker says, "we are on a money backed by nothing better than the politician's pledge. The stage is

set for the final inflationary blow-off if that is what our money managers desire . . . Our leaders have not learned from history." (Mr. Rickenbacker chooses to ignore what he describes as "the trivial connection between gold and that 20 per cent of our money supply that is composed of Federal Reserve notes.")

Rampant Inflation

Mr. Rickenbacker is fun to read because of the wit and elegance of his sentences, which are always exquisitely tailored. But the fun becomes macabre when one realizes that Mr. Rickenbacker is intensely serious in his warning to his readers. He is striving, by playing up the symbolism of the silver story, to tell us that inflation itself is nothing more nor less than a dramatic unfolding of Gresham's Law as it is applied to values in general. What happens, in an inflationary blow-off, is that bad money tends to drive everything of value into hiding along with any remaining supply of good money. As fast as bad money comes into the hands of people, they trade it for anything at all that will serve as a "store of value" while the inflationary blitz continues.

The inexorable working of Gresham's Law applied to values-as-a-whole causes people to hoard land,

food, clothing, hardware, common stocks, or anything else they can get their hands on. Gresham's Law, in short, applies to everything of value in the world. For, in a time of inflation, anything of value is potential money. (See the use of cigarettes as money in defeated and occupied nations as an example.)

Wooden Nickels is Mr. Rickenbacker's first book. He has a great talent for economic clarification and for the orderly marshalling of pertinent evidence. Now that he has paid his respects to the story of silver, one wishes he would go on to tell us what is happening to gold, which is a more important matter. ♦

THE FREEMAN on Microfilm

An agreement has been entered with University Microfilms to make available to libraries and others who may be interested current as well as back issues of **The Freeman** since January 1956. Inquiries should be directed to University Microfilms, 313 N. First Street, Ann Arbor, Michigan 48107.

When we all take in each other's washing

Utopia will have arrived

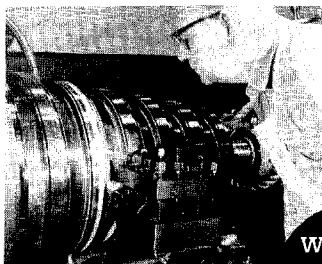
LET'S tax the whole country so New Yorkers won't have to pay as much as the true cost of their train rides. Let's all pay more for our breakfast coffee so the rich planters of South America will stay rich and won't have to pay the taxes you pay. Let's continue to forgive France the 4 billion dollars we lent them almost 50 years ago (plus the billions we have given them since) so they can drain away our gold. Let's all continue to pay more for gasoline taxes to build super-highways for states who refuse to build their own. Let's all keep on paying more for food than it costs to raise it, so some farmers can be paid billions they don't earn. Let's continue to pay

billions to "veterans" who never saw a battle. Let's keep on paying more for our homes so building trades unionists can continue to get as much as \$30 for a 6 hour day.

Who's kidding whom?

If we all did our own work, paid our own bills instead of insisting others pay them, we'd get more done, and save the billions of dollars every year in handling charges — charges that have so boosted our debt that *interest alone* is more than 11 billion dollars a year.

Sharing the wealth (i.e., socialism) is nothing but sharing the poverty, and don't let any politician steal your vote by telling you differently.



Cut-off and grooving tools manufactured by Manchester Tools, a Division of Warner & Swasey, solve many difficult metal-cutting problems.

**WARNER
&
SWASEY**

Cleveland

PRECISION
MACHINERY
SINCE 1880

THE *Freeman*



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

SELF-HELP

■ It has been often said that power corrupts. But it perhaps is equally important to realize that weakness, too, corrupts. Power corrupts the few, while weakness corrupts the many. Hatred, malice, rudeness, intolerance, and suspicion are the fruits of weakness. The resentment of the weak does not spring from any injustice done to them but from the sense of their inadequacy and impotence. . . . Our healing gift to the weak is the capacity for self-help. We must learn how to impart to them the technical, social, and political skills which would enable them to get bread, human dignity, freedom, and strength by their own efforts.

ERIC HOFFER, *The Ordeal of Change*

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE Freeman

IDEAS ON LIBERTY

JULY 1966

Constitutions Should Say No	<i>William Henry Chamberlin</i>	3
"Creative Federalism"	<i>Leonard E. Read</i>	9
How to Finance a War	<i>Willard M. Fox</i>	12
The Spirit of Liberty	<i>Learned Hand</i>	18
Income Without Work	<i>Henry Hazlitt</i>	20
An Admission of Failure	<i>Donald Walter Shorrock</i>	36
The Flight from Reality: 22. Divide and Conquer	<i>Clarence B. Carson</i>	38
The Independent School	<i>John F. Gummere</i>	50
The Businessman — Hero or Villain? . . .	<i>William E. Peterson</i>	52
Books:		
Of Men and Not of Law	<i>John Chamberlain</i>	60
Other Books		63



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533

FREE

Two Stimulating, Exciting New Brochures on

LAW AND ORDER

Throughout the land, the forces of law and order are being opposed by some individuals and groups. Our nation is strong but we are only as strong as our individual desires to maintain this strength. There are things we can do, so let's start doing them today. Ask for "LAW AND ORDER—As Seen By Two Authorities" and "Myth or Truth?—WITHOUT LAW AND ORDER, SOCIETY WILL DESTROY ITSELF." Coast Federal Savings will be happy to send you these two exciting, new brochures, absolutely free.



*Your savings earn 4.97% when held one year
at current rate of 4.85%, paid semi-annually.*

6-129A-1

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

To: George Ross, Department FM, Coast Federal Savings and Loan Association
9th & Hill Streets, Los Angeles, California 90014

☐ Please send me the free brochures on "Law and Order."

Name(s) _____
(Please Print)

☐ Yes, I'd like to open a savings account. Enclosed is my check (or money order) for \$ _____

☐ Individual Account

Street _____

☐ Joint Account

☐ Please transfer my account.

City _____ State _____ Zip _____

- ✓ The vital function of a Constitution is to place limits on the power of government, says William Henry Chamberlin, and the function of citizens is to know why p. 3
- ✓ Behind the label of "Creative Federalism," Leonard Read sees a great deal of coercion p. 9
- ✓ It's almost impossible to win a war if the fighting men and materials are to be supplied by the next generation, suggests Willard Fox p. 12
- ✓ The times commend repeating and remembering what Judge Learned Hand had to say about the "Spirit of Liberty" in the hearts of men p. 18
- ✓ Henry Hazlitt explores and deplors the "new" idea of guaranteeing everyone an income, whether or not he has tried to earn it p. 20
- ✓ "Isn't an idea a failure if it has to be 'sold' to others by force?" asks this young man p. 36
- ✓ And in this chapter of **The Flight from Reality**, Professor Carson examines the reformist tactic of "divide and conquer." p. 38
- ✓ The advantages of the independent school are explained by a man who "owns" one — or, at least, puts his trust there p. 50
- ✓ Dr. William Peterson, business economist, suggests that the businessman does a job, for himself, and for his customers, that makes him neither a hero nor a villain p. 52
- ✓ Lyman Garber's **Of Men and Not of Law**, a study of Supreme Court rulings since 1930, affords reviewer Chamberlain an opportunity to revert to the Constitution p. 50
- ✓ The Reverend Norman S. Ream commends the several authors who would buck the socialistic trend in **Your Church — Their Target**.....p. 63

JULY 1966

Vol. 16, No. 7

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Flight from Reality" and "The Businessman — Hero or Villain?"

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

WILLIAM HENRY CHAMBERLIN

CONSTITUTIONS SHOULD SAY NO

A timely reminder of some profound political truths by a long-time observer, student, and analyst of men and their governments.

TWO THOUSAND YEARS and more of recorded history, confirmed most emphatically by the experience of our own time, prove that tyrannical government, without check, balance, or limitation, is the greatest evil to which humanity is liable. The Greek city-state of Athens and the Roman Republic, on a larger scale, worked out elaborate constitutional safeguards against the emergence of a dictator, tyrant, or king. Athens went so far as to institute ostracism, or banishment, by vote of the people, for any citizen who seemed to endanger the republican constitution.

Rome instituted a complicated system of checks and balances. Executive power was vested for a year at a time in the hands of two

consuls, each a potential watchdog on the other. While important functions were entrusted to the aristocratic Senate, the populace was given a voice and a share in the government through the elected tribunes of the people, whose veto could check any proposed legislation. The Roman constitution could not have been easy to operate. Yet it worked well enough to permit Rome to become the dominant power in the ancient Mediterranean world. Then, for various reasons, not the least being the absence of external challenge and the development of a socially unhealthy system based on slave labor, internal dissensions began to place an intolerable strain on the old constitutional fabric. The old rules and restraints were

more and more disregarded and gave way to sheer tests of factional violence, fought out with all the cruelty and bloodshed characteristic of revolutions and counterrevolutions of the present time.

With the checks and balances discarded, the stage was set for the emergence of the "strong man" who would subdue the whole state to his own will; and this figure appeared in Julius Caesar. Caesar possessed rare energy and genius as soldier and statesman, writer and administrator. But he left behind him a legacy of absolute power which carried within it the seeds of the decline and fall, so brilliantly described in Gibbon's mighty historical work.

The Century of Totalitarianism

It is no accident that the biggest and most shocking crimes against human beings have always been perpetrated by dictatorial governments, operating without any restraint of law or constitution. This century has witnessed more than its share of such crimes: the liquidation of the kulaks and mass starvation of peasants who did not wish to give up their individual farms, the mass arrests, executions, deportations, and slave labor system in the Soviet Union; the horrible slaughter of the Jews and vast cruelties inflicted both on dis-

senters at home and people in occupied countries by the Nazis; the similar acts of terrorism in Red China.

All these measures claimed far more victims than acts of tyranny that shocked the more tender conscience of the nineteenth century, and for an obvious reason. The twentieth century is the century of totalitarianism. And totalitarian terror stifles the voice of protest and takes away from those who live under it any means of denouncing or resisting, because the slightest move in opposition is calculated to bring fearful reprisals not only on the individual, but on members of his family.

This is why one of the most important functions of an effective constitution is that of saying "No" to the invariable temptation of agents of government to stretch and abuse the powers with which they are entrusted. One of many reasons why it is worth while to reread the Constitution of the United States is to note how many prohibitions it contains. To quote a few examples:

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 capitation or other direct tax shall be laid, unless in proportion to

the census or enumeration herein before directed to be taken. (This prevented the levy of a graduated income tax until the Sixteenth Amendment, of unhappy memory, was passed.)

Congress shall make *no* law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble and to petition the Government for a redress of grievances.

The right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures shall *not* be violated and *no* warrants shall issue, but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

Excessive bail shall *not* be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted.

The enumeration in the Constitution of certain rights shall *not* be construed to deny or disparage others retained by the people.

The powers *not* delegated to the United States by the Constitution, *nor* prohibited by it to the states, are reserved to the states respectively, or to the people. (Italics supplied)

No Positive Action Promised

Along with this multitude of "Don'ts" to governing power, some of them now diluted or eliminated by amendments or recent decisions of the Supreme Court, there is

conspicuous absence of the promises of affirmative state action which are now the stock-in-trade of every up-and-coming politician and may also be found in the constitutions of totalitarian states. The framers of the Constitution — a process admirably described in Clinton Rossiter's recently published work, *The Grand Convention* (Macmillan, 443 pp., \$7.95) — were not in the vote-buying business. They did not promise the American people to make them healthy, wealthy, and wise. They shared the negative view of the proper role of the state voiced by their great contemporary political thinker, Edmund Burke:

To provide for us in our necessities is not in the power of government. It would be a vain presumption in statesmen to think they can do it. . . . It is in the power of government to prevent much evil; it can do very little positive good in this, or perhaps in anything else.

And the long string of "Don'ts," directed to the address of government, and of Congress itself, in the Constitution reflects Burke's well-turned warning against legislative tyranny:

It would be hard to point out any error more truly subversive of all the order and beauty, of all the peace and happiness of human society than the position that any body of men may make what laws they choose.

Burke Opposed Tyranny

Burke still is regarded in some circles as a reactionary. This is because of a rather lazy intellectual view that, by and large, the French Revolution turned out for the best and that Burke, in his celebrated indictment of this movement, was merely pleading the lost cause of monarchy and aristocracy. What Burke opposed was not constitutional democracy, of the type established under the Constitution of the United States. He spoke strongly for the American cause during the War of the Revolution, on the ground that the colonists were merely asserting the proper rights of freeborn Englishmen.

What Burke denounced, and with good reason, was Jacobin democracy, as preached and practiced by Robespierre and other extremist ideologues of the French Revolution. This, as Burke correctly foresaw, led not to ordered liberty but to a kind of preview of communism, with a small group of dedicated fanatics ruling the masses of the people, supposedly for their own good, with the guillotine as the final sanction. It is interesting to recall that John Adams, who was not one of the framers of the Constitution, but who wrote a long vindication of it, was just as negative as Burke in his reaction to the French Rev-

olution in its extreme terrorist phase. Skeptical of the teachings of Rousseau, the Marx of the Jacobins, Adams called the French Encyclopedists "totally destitute of common sense." His verdict on the Revolution and its intellectual precursors was expressed in language as tart as a New England apple:

Helvetius and Rousseau preached to the French nation *liberty*, till they made them the most mechanical slaves; *equality*, until they destroyed all equity; *humanity*, until they became weasels and African panthers; and *fraternity*, till they cut one another's throats like Roman gladiators.

And, in a letter to the well-known surgeon, Benjamin Rush, Adams explained his difference of opinion on this subject with Thomas Jefferson:

He thought it wise and good and that it would end in the establishment of a free republic. I saw through it, to the end of it, before it broke out, and was sure it could end only in a restoration of the Bourbons, or a military despotism, after deluging France and Europe in blood.

In his *Defense of the Constitution* Adams wrestled hard with the many perplexing issues that confronted the founders of a new nation. After the British rule had been overthrown, it was necessary to create on new foundations a republican government that would

steer a middle course between the twin threats of despotism on one side and chaotic anarchy on the other. With his stern Calvinist background, and the practical knowledge of human foibles which he had experienced as one of the political leaders of the American Revolution, Adams placed little reliance in the natural goodness of human nature. As he put it:

Though we allow benevolence and generous affections to exist in the human breast, yet every moral theorist will admit the selfish passions in the generality of men to be the strongest. . . . Self-interest, private avidity, ambition, and avarice will exist in every state of society and under every form of government. . . .

To expect self-denial from men, when they have a majority in their favor and consequently power to gratify themselves, is to disbelieve all history and universal experience.

A Balance of Power

What then is a safe formula for entrusting the powers of government to fallible human beings who are apt to be selfish and ambitious? Adams comes up with a solution that may not be perfect, but is preferable, on the basis of experience, to any other. He starts from the proposition that "simple unchecked government," whether exercised by a king, by an aristocracy, or by the mass of the people, is equally intolerant, bloody,

cruel, oppressive, and tyrannical. And he reaches the conclusion that the only sound and durable form of government is one so nicely balanced that ambition will check ambition and power will check power.

The international balance of power, abused as it is by advocates of world government and other utopian schemes, has proved as effective as any device for keeping peace among nations. By the same token, the most tolerable formula for stable, free, and orderly government, in the opinion of Adams, the most distinguished political thinker of the Revolution, is a carefully adjusted balance of power between social groups and agencies of government. He regards respect for private property as an indispensable condition for the maintenance of liberty. And his prescription for the type of government with the best assurance of preserving liberty, property, order, and stability is as follows:

The essence of a free government consists in an effectual control of rivalries. The executive and legislative powers are natural rivals; and if each has not an effective control over the other, the weaker will ever be the lamb in the paws of the wolf. The nation which will not adopt an equilibrium of power must adopt a despotism. There is no other alternative.

Rivalries must be controlled, or they will throw all things into confusion; and there is nothing but despotism or a balance of power that can control them.

Even a superficial study of the United States Constitution shows that the Founding Fathers shared John Adams' distrust of unchecked, unlimited power, whether vested in a single man, an oligarchy, or a legislative majority. One need only recall the distribution of power between co-equal branches of government, legislative, executive, and judicial, no one of which is supposed to dominate or disregard the other two. Or the great compromise which made the Constitution possible, the provision of population as the basis for the choice of members of the House of Representatives, while two seats in the Senate were assigned to each state. Or the many prohibitions, based on natural law and the inherent rights of citizens, imposed on action by the three branches of the government. Or the forbidding, in the original version of the Constitution, of the graduated income tax which may well be considered a form of cruel and unusual punishment.

The Founding Fathers were not setting up an egalitarian democracy, which would have horrified most of them. They were laying the foundations of a republic un-

der a government of limited and divided powers, and with as many safeguards as might be devised against any man or body acquiring excessive power, and also with checks and balances against overhasty actions by the sovereign people themselves.

One American statesman, who was also a first-rate political thinker, John C. Calhoun, suggested an additional check and balance in the shape of what he called the concurrent majority. According to this theory, no law should be passed without the approval of all important regional and economic interest groups. This, of course, might create difficulties for the easy functioning of government. However, there are many examples of the inadvisability of using a majority to jam through legislation which is very obnoxious to an important minority or section of the country.

A written constitution is, after all, only a scrap of paper. The real guarantee of preserving a limited government of checks and balances with respect for the rights of minorities must lie in the hearts and minds of the people. Yet, there are advantages in having an instrument plentifully supplied with negatives that offers assurance that there are some things that government may not legally do. ♦

"Creative Federalism"

LEONARD E. READ

EVERY PROMOTER wants an attractive label regardless of what goods or services or ideas his package contains. So, we sometimes find pronounced discrepancies between the label and the content.

The word *liberal*, for instance, once fairly labeled those who stood for the liberation of the individual from government domination. But this attractive and desirable label has since been expropriated by those favoring what the original liberals opposed — until it now means nothing more than a liberality with other people's money.

Creative federalism is one of the newer masterpieces of labeling. *Creative* conjures up man's highest aspiration; *federalism*, in the American tradition, calls to mind the separation of powers, the checks and balances against unlimited political authority, always with a view toward maximiz-

ing the freedom of choice of the creative individual.¹ Taken together, the two words constitute a semantic *tour de force*.

Each word, however, has been lifted from its traditional setting and made to adorn a concept of opposite content. Yet, a certain rationalization supports the use of both *creative* and *federalism* in the current context. To see the substance beyond the label, we must examine the rationalizations.

Federalism here, of course, denies the historical concept. Instead of the Federal establishment having only those powers specifically ceded by the people and the the states — really their agency and nothing more — the new *federalism* aims at the states having such powers and monies as are

¹ See Gottfried Dietze's *The Federalist: A Classic on Federalism and Free Government* (Baltimore: Johns Hopkins Press, 1960), especially pp. 255-285.

ceded by the central government, a reversal of roles, with citizens as mere wards of the government. This proposed new relation between national and local governments still may be deemed a type of federalism, but lost entirely is the original emphasis on the dignity of the individual.

But just how can the word *creative* be rationalized in this new strengthening of the governmental monopoly at the national level?

The Erosion of Capital

The states and municipalities, as well as the Federal government, have the power to impose direct tax levies. But political expediency limits the percentage of the people's wealth that can be obtained in this manner. Beyond a certain point — usually when the total take exceeds the 20-25 per cent level — the voters revolt; they'll have no more of it. Thus this method serves to put a crimp in spending and to keep governments within bounds, more or less.

But the Federal government — alone among the more than two hundred thousand units of government in the U.S.A. — has a way of *creating* funds beyond what can be collected by direct tax levies, out of thin air, seemingly! Not only is it now creating all of the funds it wants for ever-expanding Federal activities, but it urges

the use of these Federally created funds upon the lesser governments. Indeed, foreign governments are urged to feed at its cornucopia. Because the desires of governments are insatiable, the program is not difficult to sell. More than anything else, this "creativity" accounts for the shift in political sovereignty from the states to the central government.

When we observe a magician at his trade, we ask, "Where, really, does that rabbit come from?" And, in this case, we are warranted in wondering from where these countless billions come. We know, in our saner moments, that real wealth can no more be created from thin air than from direct tax levies.

These "created" monies come from an indirect tax on savers and lenders, in short, a confiscation of capital. The effect, unlike a local tax or a bill from the IRS, is not immediate but, instead, is indirect and delayed or, as the Spanish put it, *mañana*. The method takes advantage of, and at the same time fosters, the prevalent urge to spend and live it up today with no concern for the morrow.

Too technical for a brief explanation, the Federal "creativity" is achieved, in a word, by the monetization of debt; that is, the Federal government's IOU's are turned into money. The more the

government spends, the more it goes in debt; the greater the debt, the more IOU's; the more IOU's, the more money.

But not at all technical is a demonstration of how this *mañana* byplay works in large-scale practice: Only 26 years ago, two Argentine pesos were exchangeable for a 1940 American dollar. That dollar, in the meantime, has declined 60 per cent in purchasing power. Related to the 1940 dollar, it is now worth 40 cents. Today, 240 pesos—not two—are exchangeable for our cheapened dollar.

The Power to Create Money

Now observe how this type of "creativity" taxes capital: In 1940, let us say, you stashed 240 pesos under the mattress. What in 1966 remains to you in terms of 1940 purchasing value? Exactly 40 centavos! In brief, the Argentine policy of diluting the medium of exchange (inflation) as a means of financing governmental activities—precisely what we are doing, although on a lesser scale, as yet—has taxed away 239.60 of your 240 pesos!

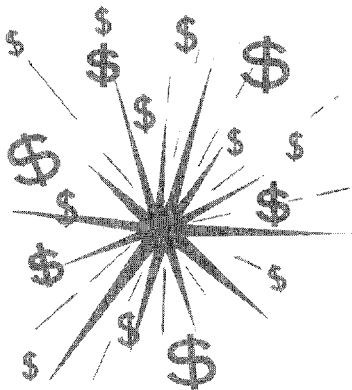
Unlike a direct tax levy which garnishees your income and/or capital right now, this "creativity" takes the form of slow capital erosion. For the most part,

erosion goes unnoticed: one rarely feels older today than yesterday; one senses no less capital today than the day before, particularly if one has more dollars; yet erosion, though rarely perceived, leads to the point where finally nothing remains to erode.²

To conclude our look beyond the label and at the substance, socialism is the state ownership and control of the means of production (the planned economy) and/or the state ownership and control of the results of production (the welfare state). The new *federalism* qualifies as socialism pure and simple. Socialism—all of it—is founded on coercion. Were coercion absent, then it would not be socialism.

Thus, if *creative* and *federalism* were to be defined in their traditional sense, *creative federalism* is the same contradiction in terms as *creative socialism* or *creative coercion*. The label can only become popular among those who do not know or care what the substance is. ♦

² A government resorts to inflation because the process garners billions in revenue with very little protest from the owner sources. The reason for the lack of protest is an unnoticed erosion of the medium of exchange. For instance, the dollar that has lost 60 per cent of its purchasing value in the past 26 years has eroded at the rate of 1/158th of a cent per day. Who can notice that?



HOW TO FINANCE A WAR

WILLARD M. FOX

DESPITE General MacArthur's warning that there is no substitute for victory, the United States is once again bogged down in an Asian war that it apparently wants neither to win nor to lose. Having learned nothing about how to finance wars from its experiences in two World Wars and Korea, it is again relying on a thinly disguised running of the printing presses. *Barron's* for May 16, 1966, in its listing of U.S. Treasury issues, does not show even one offered as high as par, including the May '66 $3\frac{3}{4}$ s. Yields, varying with coupon rate and maturity, range from a low of 4.01 to a high of 4.99 per cent. Such high yields reflect bond specialists' doubts about the future of the dollar, which in terms of 1939 values is worth about $43\frac{1}{4}$ cents.

Mr. Fox is a market research executive now residing in Costa Rica.

War is clearly waste — waste of the lives of the killed; waste of the physical well-being of the maimed; waste of the time of the men who are fortunate enough to come home safe and sound, despite their loss of productive years; and it is waste of munitions consumed and stockpiled unused as well as the capital goods worn out in producing them. It is a wasteful activity from an economic point of view, no matter how successful it may be politically, nor how quick the victory. I am neither a pacifist nor a peace-at-any-price man. I happen to believe that, given the world in which we live, force does change things and that the purpose of waging war is to win decisively at the least possible cost in order to impose one's will upon the vanquished. But I deplore war as waste of human and material resources.

The Present Burden

Since we are engaged in war, we have to face the question of how to finance its cost. If we look behind the veil of money, it is plain to see that the true cost can be met only out of a combination of past savings and current production.

It is as impossible to shift the material costs to the taxpayers of 1996 as it is to shift the burden of combat to the youngsters who will be of military age in 1996. Only men now living and only capital goods and materials now in being can be employed to wage war in Vietnam in 1966. There is no way to borrow them from the future.

Moreover, it is plain that there is no possible way to use the same bit of steel today both in a mortar and a motor. Every ton of steel, every pound of copper, every ounce of silver that goes into war *material* and is consumed or destroyed is lost at least for the present and probably irrevocably. Hence, it follows that every day each man devotes to military service and each machine and each pound of material that are used up for military purposes are completely lost to the civilian economy and to the satisfaction of the wants and needs of the civilian population as consumers.

Since, economically, war is waste, and it wastes existing — not

future — manpower, capital goods, and raw materials, it is clear that the real cost of waging war is borne by the living who are deprived of things that in the absence of war could be produced and consumed in ordinary peacetime life. No amount of fiscal hocus pocus can change that reality.

This being the case, it is futile to try to shift the cost of the war in Vietnam to future generations of taxpayers. They will be poorer because of it than they would otherwise have been, if only because they will fail to inherit the capital goods that might otherwise have been produced with the labor, existing capital goods, and materials devoted to Vietnam. Incidentally, this is equally true of all “foreign aid” that consists of outright gifts and loans made on terms that do not cover in full the debt service and repayment of principal in money equal in purchasing power to the sums lent. It is also true of all domestic malinvestments by governments in projects that cannot recover all their open and hidden costs.

Both Methods Tried

The method the United States has used to finance its wars in this century has been mixed. To a limited degree, it has taken purchasing power from the citizenry by taxation and by the noninfla-

tionary sale of bonds paid for by genuine saving of funds that otherwise would have been spent on consumers' goods or invested directly or indirectly in capital goods. This source, however, has been a mere drop in the bucket.

The major source has been a thinly disguised printing of money. There has been nothing as blatant—or as naive—as the printing of Continentals or Greenbacks. There are more subtle ways, especially since the United States abandoned commodity money. When citizens cannot freely exchange bank notes for gold, they can do nothing effective to prevent the Treasury and the "Fed" from forcing the commercial banks to "buy" engraved pieces of paper for which they "pay" with a credit against which the government can write checks. Then, since the "Fed" by law accepts these pieces of paper as collateral for loans, they can create additional "reserves" by depositing them and thus prepare themselves to create more deposits.

Artificial Prosperity

Meanwhile, the civilian population, and particularly the portion engaged in the "war effort," enjoys prosperity. This prosperity, in fact, amounts to little but the possession of a lot of unspendable dollars, or dollars that can only be

spent for certain available items—mostly luxuries. In World War I, bricklayers and foundry workers labored in pure silk shirts, since they were about the only consumers' good not in short supply. In World War II the "real" money was ration points, and dollars were not good for much except unknown brands of cigarettes, for which people stood in line for hours, plus whatever they could promote in the black market. The real cost of wars is paid for currently as they are fought by going without the normal civilian goods that cannot be produced at all, or at least not in the quantities wanted. Not even General Motors executives could get 1944 Cadillacs or Buicks nor Chrysler employees 1943 Plymouths, no matter the size of their paper dollar pay checks.

The legacy of this mode of financing a war we all know. It is our 43¼ cent current dollar. Granted, war financing is not the sole cause of the loss of purchasing power of the dollar. Other nonproductive, deficit-financed government expenditures have contributed to the erosion; to what extent is uncertain. But if that had been all, and had we not spent more than \$110 billion in "foreign aid" since 1945, we might today have a 90 cent or a 75 cent dollar.

Inequalities Abound

This illusory "war prosperity" is popular. It enables politicians and union officials to tell their followers, "You never had it so good," when the clear fact is that they are not able to buy unrestricted quantities of coffee, beef, shoes, and automobiles and other consumers' durables. All they have—and only the savers have that much—is a claim on a problematic supply of goods when those goods are actually produced in the future and sold against diluted dollars. Unfortunately, not everybody shares equally and simultaneously in this "war prosperity." Those who live on fixed or virtually fixed incomes are hurt at once and forever after. Those whose skills are little wanted, and who share a trickle of the newly created money only after it has passed through many other hands, certainly lose relatively and usually absolutely, since their incomes lag while prices both officially and on the black market soar. Debtors, who nowadays are mostly the rich who are smart enough to get as much leverage as they can for their own equity by working as much as they can with borrowed funds, and those whose skills make them eagerly sought and highly paid by firms engaged in war production do gain relatively and perhaps absolutely.

Economically, the financing of war by inflation is as unfair as the process by which John Brown is assigned to combat duty and gets killed or maimed and James Smith spends his service time running a computer in the Pentagon; though, of course, the outcome is much more serious for the families of the killed and the individuals who are maimed and their dependents.

Facing the Problem

Enough has been said to indicate the politically courageous and morally correct way to finance wars. That is to impose, insofar as possible and that is quite far, the money costs where the real costs fall anyhow. That is to tax away substantially all the incremental earnings of the civilian population as these earnings accrue. To write an equitable tax law that would accomplish this would tax the ingenuity of economists and tax lawyers; but with sufficient ingenuity and intelligence it might be done. Rightly or wrongly, people are accustomed to and accept progressive taxation. Business has accepted an 82 per cent combined income and excess profits tax. While entrepreneurial executives have no monopoly of patriotism, they are at least as patriotic as the general population. Hence, they could be expected

to go along with seeing practically all their increased profits taxed away, provided other individuals also were deprived of their income gains by a tax that took substantially all the increase in earned incomes.

Additional Money Causes Prices to Rise

Obviously, no businessman in his right mind prefers war orders to normal orders from his regular customers, for he knows that they are temporary and largely illusory and that reconversion to peacetime activities is time consuming and expensive and carries the risk of losing position in the market. Yet, by a combination of persuasion, appeals to patriotism, veiled threats of coercion, and bidding a high enough price, government can get what it wants in the market. Furthermore, many businessmen (and many other people) are careless or sloppy thinkers. Many executives think of x per cent being a "fair return" on sales or y per cent as a "fair return" on invested capital. If they know that neither themselves and their competitors nor their employees and the general population are going to be allowed to keep much, if any, of their increased cash flow, they are under no unusual pressure to raise prices.

True, there may be some die-hards who will not take or at least not seek war orders; but they can be handled. Since they would be forewarned that their normal customers are going to be taxed to pay for the current cost of the war out of current income, they would see that their normal market would shrink and their normal production would be partly unsold, for lack of customers with money to spend for normal use of the goods in question. Hence, they could not afford to bid for strategic commodities against firms taking war orders since their customers would lack the means to pay even customary prices, let alone increased prices; nor could they match wage increases (even though virtually all the increases be taxed away). Hence, to avoid idle plant, they would be obliged to fall in line.

If substantially as much money would be taken out of the economy by the tax collector as is put in by the purchasing agent of the Defense Department, then regardless of the money prices paid for the goods consumed in the war, there need be no war-induced increase in the money supply or rise in prices generally. This is not to say that the war would be without effect. It would affect everybody to some extent and it would involve waste of capital goods and

war *materiel*. Everybody would be poorer because of the wasteful demands of war. However, the postwar hangover of a lot of newly created money chasing after a reduced stock of goods would be largely or entirely avoided. The money cost and the real cost would both be met during the period of hostilities.

It now appears that the Vietnamese war may be prolonged, since the United States does not seek victory and, presumably, does not want defeat. There is also a possibility that a miscalculation in Hanoi, Peking, Moscow, or Washington might bring China and possibly Russia into the war. Should such a disaster occur, the

costs would multiply enormously; and the real costs would still have to come out of savings plus current production. It would be naive, indeed, to suppose that any government, particularly a government strongly influenced by union leadership and economists sympathetic to the welfare state, would have the moral courage and intellectual integrity to tell its people that war, however necessary politically, is economic waste that must be paid for out of current production and that it would be wise and fair to collect the money cost at the same time that men are being sent to death or permanent injury. Individuals have to discover these harsh facts for themselves.



IDEAS ON LIBERTY

Pay Cash

WHEN BONAPARTE took the consulship, the condition of fiscal affairs was appalling. The government was bankrupt; an immense debt was unpaid. The further collection of taxes seemed impossible; the assessments were in hopeless confusion. . . . At the first cabinet council Bonaparte was asked what he intended to do. He replied, "I will pay cash or pay nothing." From this time he conducted all his operations on this basis. . . .

When the first great European coalition was formed against the Empire, Napoleon was hard pressed financially, and it was proposed to resort to paper money; but he wrote to his minister, "While I live, I will never resort to irredeemable paper." He never did, and France, under this determination, commanded all the gold she needed. When Waterloo came, with the invasion of the Allies, with war on her own soil, with a change of dynasty, and with heavy expenses for war and indemnities, France, on a specie basis, experienced no severe financial distress.

The Spirit of Liberty



LEARNED HAND

WE HAVE GATHERED HERE to affirm a faith, a faith in a common purpose, a common conviction, a common devotion. Some of us have chosen America as the land of our adoption; the rest have come from those who did the same. For this reason we have some right to consider ourselves a picked group, a group of those who had the courage to break from the past and brave the dangers and the loneliness of a strange land. What was the object that nerved us, or those who went before us, to this choice? We sought liberty; freedom from oppression, freedom from want, freedom to be ourselves. This we then sought; this we now believe that we are by way of winning.

What do we mean when we say that first of all we seek liberty? I often wonder whether we do not rest our hopes too much upon constitutions, upon laws, and upon courts. These are false hopes; be-

These remarks by the late Judge Learned Hand seem as timely today as when delivered on May 31, 1944, at "I Am an American Day" ceremonies in Central Park, New York City.

lieve me, these are false hopes. Liberty lies in the hearts of men and women; when it dies there, no constitution, no law, no court can save it; no constitution, no law, no court can even do much to help it. While it lies there, it needs no constitution, no law, no court to save it.

And what is this liberty which must lie in the hearts of men and women? It is not the ruthless, the unbridled will; it is not freedom to do as one likes. That is the denial of liberty, and leads straight to its overthrow. A society in which men recognize no check upon their freedom soon becomes a society where freedom is the possession of only a savage few; as we have learned to our sorrow.

What then is the spirit of liberty? I cannot define it; I can only tell you my own faith. The spirit of liberty is the spirit which is not too sure that it is right; the spirit of liberty is the spirit which seeks to understand the minds of other men and women; the spirit of liberty is the spirit

which weighs their interests alongside its own without bias; the spirit of liberty remembers that not even a sparrow falls to earth unheeded; the spirit of liberty is the spirit of Him who, near two thousand years ago, taught mankind that lesson it has never learned, but has never quite forgotten; that there may be a kingdom where the least shall be heard and considered side by side with the greatest.

And now in that spirit, that spirit of an America which has never been, and which may never be; nay, which never will be except as the conscience and courage of Americans create it; yet in the spirit of that America which lies hidden in some form in the aspirations of us all; in the spirit of that America for which our young men are at this moment fighting and dying; in the spirit of liberty and of America I ask you to rise and with me pledge our faith in the glorious destiny of our beloved country. ♦

INCOME WITHOUT WORK



HENRY HAZLITT

A GROUP of social reformers, impatient with the present "rag bag" of measures to combat poverty, propose to wipe it out in a single swoop. The government would simply guarantee to everybody, regardless of whether or not he worked, could work, or was willing to work, a minimum income. This guaranteed income would be sufficient for his needs, "enough to enable him to live with dignity."

The reformers estimate that the guaranteed income ought to range somewhere between \$3,000 and \$6,000 a year for a family of four.

This is not merely the proposal of a few starry-eyed private individuals. The National Commis-

sion on Technology, Automation, and Economic Progress, established by Congress in 1964, brought in a 115-page report to the President on February 4 of this year recommending guaranteed incomes for all. And in January the President's Council of Economic Advisers indicated approval of "uniformly determined payments to families based only on the amount by which their incomes fall short of minimum subsistence levels." This plan, they declared, "could be administered on a universal basis for all the poor and would be the most direct approach to reducing poverty."

The plan is spelled out and argued in detail in a book called *The Guaranteed Income*, a symposium of articles by ten contributors, edited by Robert Theobald,

Mr. Hazlitt is the well-known economic and financial analyst, columnist, lecturer, and author of numerous books.

who calls himself a "socio-economist." Mr. Theobald has contributed three of the articles, including his preface.

Of the following three paragraphs, Mr. Theobald prints the first two entirely in italics:

"This book proposes the establishment of new principles specifically designed to break the link between jobs and income. Implementation of these principles must necessarily be carried out by the government....

"We will need to adopt the concept of an absolute constitutional right to an income. This would guarantee to every citizen of the United States, and to every person who has resided within the United States for a period of five consecutive years, the right to an income from the federal government to enable him to live with dignity. No government agency, judicial body, or other organization whatsoever should have the power to suspend or limit any payments assured by these guarantees....

"If the right to these incomes should be withdrawn under any circumstances, government would have the power to deprive the individual not only of the pursuit of happiness, but also of liberty and even, in effect, of life itself. This absolute right to a due-income would be essentially a new principle of jurisprudence."

The contributors to this volume have arrived at these extraordinary conclusions not only because they share a number of strange ideas of jurisprudence, of "rights," of government, and of the true meaning of liberty and tyranny, but because they share a number of major economic misconceptions.

Nearly all of them seem to share the belief, for example, that the growth of automation and "cybernation" is eliminating jobs so fast (or soon will be) that there soon just won't be jobs for even the most industrious. "The continuing impact of technical change will make it impossible to provide jobs for all who seek them." The goal of "jobs for all" is "no longer valid." And so on.

Ancient Fears of Automation

The fears of permanent unemployment as a result of technological progress are as old as the Industrial Revolution in the late eighteenth and early nineteenth century. They have been constantly reiterated in the last thirty-five years and as often completely refuted. It is sufficient to point out here that not only has the average unemployment of slightly less than 5 per cent in the last twenty years not been growing, and that two-thirds of the jobless have usually remained so for pe-

riods of not more than ten weeks, but that the total volume of *employment* in the United States has reached a new high record in nearly every one of these years.

Even if it were true, as the authors of the guaranteed income proposal contend, that the American free enterprise system will soon become so productive that more than anybody really wants can be produced in half the time as now, why would that mean the disappearance of jobs? And how could that justify half the population's, say, being forced to work forty hours a week to support the other half in complete idleness? Why couldn't everybody work only in the mornings? Or half in the mornings and the other half in the afternoons at the same machines? Or why could not some people come in on Mondays, others on Tuesdays, and so on? It is difficult to understand the logic or the sense of fairness of those who contend that as soon as there is less to be done some people must be supported in idleness by all the rest.

"An Absolute Right"

But that is precisely the contention of the advocates of the guaranteed annual income. These handout incomes are to be given as "an absolute constitutional right," and not to be withheld "under *any*

circumstances." (Theobald's italics.) This means that the recipients are to continue to get this income not only if they absolutely refuse to seek or take a job, but if they throw the handout money away at the races, or spend it on prostitutes, on whiskey, cigarettes, marijuana, heroin, or what not. They are to be given "sufficient to live in dignity," and it is apparently to be no business of the taxpayers if a recipient chooses none the less to live without dignity, and to devote his guaranteed leisure to gambling, dissipation, drunkenness, debauchery, dope addiction, or a life of crime. "No government agency, judicial body, or other organization whatsoever should have the power to suspend or limit any payments assured by these guarantees." This is surely a "new principle of jurisprudence."

Unrealistic Cost Estimates

How much income do the guaranteed-income advocates propose to guarantee? They differ regarding this, but practically all of them think the government should guarantee at least what they and government officials call the "minimum maintenance level" or the "poverty-income line." The Social Security Administration calculated that the 1964 poverty-income line for nonfarm individuals was \$1,540 a year. A nonfarm family

of four was defined as poor if its money income was below \$3,130. The Council of Economic Advisers has calculated that by this standard 34 million out of our 190 million 1964 population, or 18 per cent, were living in poverty. This is in spite of the \$40 billion total spent in welfare payments, of which it estimated that \$20 billion (in the fiscal year 1965) went to persons who were, or would otherwise have been, below the poverty-income line.

How much would a guaranteed-income program cost the taxpayers? This would depend, of course, on how big an income was being guaranteed. Many of the income-guarantee advocates think that a guarantee merely of the poverty-line income would be totally inadequate. They appeal to other "minimum" budgets put together by the Social Security Administration or the Bureau of Labor Statistics, some of which run up to nearly \$6,000 for a family of four.

One of the contributors to the Theobald symposium makes the following estimates of the cost to the taxpayers of different guarantees:

For a "minimum maintenance" level of \$3,000 a year: total cost, \$11 billion a year.

For an "economy" level of \$4,000: \$23 billion a year.

For a "modest-but-adequate"

level of \$5,000: \$38 billion a year.

These figures are huge, yet they are clearly an underestimate. For the calculations take it for granted that those who could get government checks of \$3,000 to \$5,000 a year, as an absolute guarantee, without conditions, would continue to go on earning just as much as before. But as even one of the contributors to the Theobald symposium, William Vogt, remarks: "Those who believe that men will want to work whether they have to or not seem to have lived sheltered lives."

Who Would Do the Work?

He goes on to point out, with refreshing realism, how hard it is even today, before any guaranteed income, to get people to shine shoes, wash cars, cut brush, mow lawns, act as porters at railroad or bus stations, or do any number of other necessary jobs. "Millions of service jobs are unfilled in the United States, and it is obvious that men and women will often prefer to exist on small welfare payments rather than take the jobs. . . . If this situation exists before the guaranteed income is made available, who is going to take care of services when everyone can live without working—as a right?"

Who is, in fact, going to take the smelly jobs, or any low-paid

job, once the guaranteed income program is in effect? Suppose, as a married man with two children, your present income from some nasty and irregular work is \$2,500 a year. Comes the income guarantee, and you get a check in the mail from the government for \$630. This is accompanied by a letter telling you that you are entitled as a matter of unconditional right to the poverty-line income of \$3,130, and this \$630 is for the difference between that and your earned income of \$2,500. You are happy — for just a day. Then it occurs to you that you are a fool to go on working at your nasty job or series of odd jobs for \$2,500 when you can stop work entirely and get the full \$3,130 from the government.

So the government would, in fact, have to pay out a tremendous sum. In addition, it would create idleness on a huge scale. To predict this result is not to take a cynical view, but merely to recognize realities. The beneficiaries of the guaranteed income would merely be acting sensibly from their own point of view. But the result would be that the fifth of the population now judged to be below the poverty line would stop producing even most of the necessary goods and services it is producing now. The unpleasant jobs would not get done. There would

be less total production, or total real income, to be shared by everybody.

The Shifting "Poverty Line"

But so far we have been talking only about the effect of the guaranteed income on the recipients whose previous incomes have been below the poverty line. What about the other four-fifths of the population, whose incomes have previously been above it? What would be the effect on *their* incentives and actions?

Suppose a married man with two children found at the end of a year that he had earned \$3,500? And suppose he found that his neighbor, with the same-sized family, had simply watched television, hung around a bar, or gone fishing during the year and had got a guaranteed income from the government of \$3,130? Wouldn't the worker begin to think that he had been something of a sap to work so hard for a mere \$370 net, and that it would be much better to lead a pleasantly idle life for just that much less? And wouldn't the same thing occur to all others whose earned incomes were only slightly above the guarantee?

It is not easy to say how far above the guarantee any man's income would have to be for this consideration not to occur to him. But we would do well to remem-

ber the following figures: The *median* or "middle" income for all families in 1964 was \$6,569. The median income for "unrelated" individuals was \$1,983. People with these incomes or less — i.e., half the population — would be near enough to the guarantee to wonder why they weren't getting any of it.

Someone Must Pay

If "*everybody* should receive a guaranteed income as a matter of right" (and the italics are Mr. Theobald's), who is to pay him that income? On this point the advocates of the guaranteed income are either beautifully vague or completely silent. The money, they tell us, will be paid by the "government" or by the "State." "The State would acknowledge the duty to maintain the individual."

The state is a shadowy entity that apparently gets its money out of some fourth dimension. The truth is, of course, that the government has nothing to give to anybody that it doesn't first take from someone else. The whole guaranteed-income proposal is a perfect modern example of the shrewd observation of the French economist, Bastiat, more than a century ago: "The State is the great fiction by which everybody tries to live at the expense of everybody else."

Rights vs. Obligations

None of the guaranteed-income advocates explicitly recognizes that real "income" is not paper money that can be printed at will but goods and services, and that somebody has to produce these goods and services by hard work. The proposition of the guaranteed-income advocates, in plain words, is that the people who work must be taxed to support not only the people who can't work but the people who won't work. The workers are to be forced to give up part of the goods and services they have created and turn them over to the people who haven't created them or flatly refuse to create them.

Once this proposition is stated bluntly, the spuriousness in all the rhetoric about "the absolute constitutional 'right' to an income" becomes clear. A true legal or moral right of one man always implies an *obligation* on the part of others to do something or refrain from doing something to ensure that right. If a creditor has a right to a sum of money owed to him on a certain day, the debtor has an obligation to pay it. If I have a right to freedom of speech, to privacy, or to the ownership of a house, everyone else has an obligation to respect it. But when I claim a "right" to "an income sufficient to live in dignity," whether I am willing to work for

it or not, what I am really claiming is a right to part of *somebody else's* earned income. What I am asserting is that he has a duty to earn more than he needs or wants to live on so that the surplus may be seized from him and turned over to me to live on.

What the guaranteed-income advocates are really saying, behind all their high-sounding phrases and humanitarian rhetoric, is something like this: "Look, we find ourselves with this wonderful apparatus of coercion, the government and its police forces. Why not use it to force the workers to pay part of their earnings over to the nonworkers?"

Lack of Understanding

We can still believe in the sincerity and good intentions of these people, but only by assuming an appalling lack of understanding on their part of the most elementary economic principles. "This book," writes Robert Theobald, "proposes the establishment of new principles specifically designed to break the link between jobs and income." But we cannot break the link between jobs and income. True income is not money, but the goods and services that a money will buy. These goods and services have to be produced. They can only be produced by work, by jobs. We may, of course, break the link be-

tween the job and the income of *a particular person*, say Paul, by giving him an income whether he consents to take a job or not. But we can do this only by seizing part of the income of some other person, say Peter, from *his* job. To believe we can break the link between jobs and income is to believe we can break the link between production and consumption. Goods have to be produced by somebody before they can be consumed by anybody.

Claimants to Be Trusted, Taxpayers to Be Examined

One reason for the agitation for an unconditionally guaranteed income is the dislike of some social reformers for the "means test." The means test is disliked on two grounds — that it is "humiliating" or "degrading," and that it is administratively troublesome — "a comprehensive examination of means and resources, applicant by applicant." The guaranteed-income advocates think they can do away with all this by using the "simple" mechanism of having everybody fill out an income tax blank, whereupon the government would send a check to everybody for the amount that his income, so reported, fell below the government's set "poverty-line" minimum.

The belief that this income-tax

mechanism would be administratively simple is a delusion. Before the introduction of the withholding mechanism, before the reporting requirements for payments made to individuals in excess of \$600 in any year, and the still more recent requirements for the reporting of even the smallest interest and dividend payments, the income tax was in large part a self-imposed tax. The government depended heavily on the taxpayer's conscientiousness and honesty. To a substantial extent it still does.

The government can check the honesty of individual returns only by a random or arbitrary sampling process. It is altogether probable that more evasion and cheating go on in the low income-tax returns than in the high ones — not because the big-income earners are more honest, but simply because their chances of being examined and caught are higher. The amount of concealment and falsification that would be practiced by persons trying to get as high a guaranteed income as possible would probably be enormous. To minimize the swindling, the government would have to resort to the same case-by-case and applicant-by-applicant process as it does to administer current relief, unemployment insurance, and social security programs.

Is a means test for relief neces-

sarily any more humiliating than the ordeal that the taxpayer must go through when his income tax is being examined, and when every question he is asked and record he is required to provide implies that he is a potential crook? If the reply is that this inquisition is necessary to protect the government from fraud, then the same reply is valid as applied to applicants for relief or a guaranteed income. It would be a strange double standard to insist that those who were being forced to pay the guaranteed income to others should be subject to an investigation from which those who applied for the guaranteed income would be exempt.

Finally, the income-tax mechanism would be irrelevant to the real problem with which the guaranteed-income advocates profess to be concerned. For the applicants would presumably be reporting *last* year's income, which would have no necessary relation to their present need. An applicant's income in the previous year or other previous period might be either much higher or much lower than it is today. The process would not meet present emergencies, such as illness or temporary loss of employment. The guaranteed-income payment might either come too late or prove unneeded or excessive.

Old Subsidies Never Die

One of the main selling arguments of the guaranteed-income advocates is that its net cost to the taxpayers would not be as great as might appear at first sight because it would be a *substitute* for the present "mosaic" or "rag bag" of measures designed to meet the same goal — social security, unemployment compensation, medicare, direct relief, free school lunches, stamp plans, farm subsidies, housing subsidies, rent subsidies, and all the rest.

Neither the record of the past nor a knowledge of political realities supports such an expectation. One of the main selling arguments in the middle 1930's, first for unemployment insurance and later for social security, was that these programs would take the place and eliminate the need for the various relief programs and payments then in existence. But in the last thirty years these programs have continued to grow year by year with only minor interruptions. The result is that public assistance payments (including old age assistance, aid to dependent children, general assistance, etc.) have risen from a total of \$657 million in 1936 to \$4,736 million in 1963, an increase of 620 per cent. And this cost is *in addition* to the present \$30 billion or more that the Federal government

now spends annually on social security and other welfare programs.

So not only may we expect that the guaranteed-income would be thrown on top of all existing welfare payments (we can expect a tremendous outcry against discontinuing any of them), but that demands would arise for constant enlargement of the guaranteed amount. If the average payment were merely the *difference* between an assumed "poverty-line" income of, say, \$3,000 and what the family had earned itself, all heads of families earning less than \$3,000 would either quit work or threaten to do so unless they were given the full \$3,000, and so allowed to "keep" whatever they earned themselves. And once this demand was granted (in an effort to avoid the wholesale idleness and pauperization that would otherwise occur), the people whose earnings were just above the government minimum, or less than twice as much, would point out how unjustly they were being treated. And the only "logical" and "fair" stopping place, it would be argued, would be to give *everybody* the full minimum of \$3,000 no matter how much he was earning or getting from other sources.

Anyone who thinks such a prediction farfetched need merely recall how we got into the present

system of paying everybody over 72 social security benefits regardless of his current earnings from other sources, and paying benefits to every retired person over 65 regardless of the size of his unearned income from other sources. By the same logic, the British government pays comprehensive unemployment, sickness, maternity, widowhood, funeral and other benefits, and retirement pensions, regardless of need or the size of the recipient's income.

Incentives Undermined

We have seen how the guaranteed-income plan, if adopted in the form that its advocates propose, would lead to wholesale idleness and pauperization among nearly all those earning less than the minimum guarantee, and among many earning just a little more. But it would also undermine the incentives of those much further up in the income scale. For they would not only be deprived of the benefits that they saw millions of others getting. It is *they* who would be expected to *pay* these benefits, through the imposition upon them of far more burdensome income taxes than they were already paying. If these taxes were steeply progressive in proportion to income, as is probable, they would discourage long hours and unusual effort.

It is difficult to make any precise estimate of the effect of a given income-tax rate in discouraging or reducing work and production. Different individuals will, of course, be differently affected. The activities of a man whose whole income comes in the form of a single salary from a single job will be differently affected than those of a surgeon, a doctor, a writer, an actor, an architect, or anyone whose income varies with the number of assignments he is willing to undertake or clients he is willing to serve.

What we do know is that the higher income-tax rates, contrary to popular belief, just don't raise revenue. In the current 1966 fiscal year, individual income taxes are estimated to be raising \$51.4 billion (out of total revenues of \$128 billion). Yet the tax rates in excess of 50 per cent have been bringing in only about \$250 million a year — less than 1 per cent of total income tax revenues and not enough to run even the present government for a full day. (In other words, if all the personal income-tax rates above 50 per cent were reduced to that level, the loss in revenue would be only about \$250 million.) If these rates above 50 per cent were raised further, it is more probable that they would raise less revenue than more. Therefore, it is the income-

tax rates on the lower and middle incomes that would have to be raised most, for the simple reason that 75 per cent of the personal income of the country is earned by people with less than \$15,000 gross incomes.

Poverty for All

It is certain that high income tax rates discourage and reduce the earning of income, and therefore the total production of wealth, to some extent. Suppose, for illustration, we begin with the extreme proposal that we equalize everybody's income by taxing away all income in excess of the average in order to pay it over to those with incomes below the average. (The guaranteed income proposal isn't too far away from that!)

Let us say that the present per capita average yearly income is about \$2,800. Then everybody who was getting less than that (and would get just that whether he worked or not) would, of course, as with the guaranteed-income proposal, not need to work productively at all. And no one who was earning more than \$2,800 would find it worth while to continue to earn the excess, because it would be seized from him in any case. More, it would soon occur to him that it wasn't worth while earning even the \$2,800, for it would be

given to him in any case; and his income would be that whether he worked or not. So if everybody acted under an income equalization program merely in the way that seemed most rational in his own isolated interest, none of us would work and all of us would starve. We might each get \$2,800 cash (if someone could be found to continue to run the printing machines just for the fun of it), but there would be nothing to buy with it.

A less extreme equalization program would, of course, have less extreme results. If only 90 per cent of all incomes over \$2,800 were seized and people could keep 10 cents of every "excess" dollar they earned, there would of course still be a little incentive to earn a little more. And if everyone could keep 25 cents out of every dollar he earned above the \$2,800, the incentive would be slightly higher.

But every tax or expropriation must reduce incentives to a certain extent. The effect of the guaranteed-income proposal would be practically to wipe out incentives for those earning (or even wanting) no more than the guarantee, and greatly to reduce incentives for all those earning or capable of earning more than the guarantee. Therefore the guaranteed-income would reduce effort and earning and production. It would violently reduce the national in-

come (measured in real terms). And it would reduce the standard of living for four-fifths of the population. The government might be able to pay out the specified amount of guaranteed *dollar* "income," but the purchasing power of the dollars would appallingly shrink.

The Negative Income Tax

Recognizing the calamitous erosion of incentives that would be brought about by a straight guaranteed income plan, other reformers have advocated what they call a "negative income tax." This proposal was put forward by the prominent economist, Professor Milton Friedman of the University of Chicago, in his book *Capitalism and Freedom*, which appeared in 1962. The system he proposed would be administered along with the current income tax system.

Suppose that the poverty-line income were set at \$3,000 per "consumer unit" (families or individuals), and suppose that the negative income tax (which is really a subsidy), were a flat rate of 50 per cent. Then every "consumer unit" (this is the statisticians' technical term) whose income fell below \$3,000 would be paid a subsidy of, say, 50 per cent of the difference. If its earned income were \$2,000, for example, it

would receive \$500; if its earned income were \$1,000 it would receive \$1,000; if its earned income were zero it would receive \$1,500.

Professor Friedman freely concedes that his proposal, "like any other measure to relieve poverty . . . reduces the incentives of those helped to help themselves." But he argues that "it does not eliminate that incentive entirely, as a system of supplementing incomes up to some fixed minimum would. An extra dollar earned always means more money available for expenditure."

It is true that the "negative income tax" would not have quite the destructive effect on incentives that the guaranteed income would. Nevertheless, once the principle of the negative income tax were accepted, the demand would immediately arise that the minimum subsidy to be paid should be at least "adequate" to provide a minimum income to support a family "in decency and dignity." So we would be back to the minimum guaranteed income, *plus* supplemental subsidies for those who already had some earned or private income of their own. If this minimum were set at \$3,130 for a married man with two children (to return to the Social Security Administration's "poverty-line" figure), this subsidy would be reduced, say, by 50 cents for every

dollar earned, and therefore would not stop entirely until the family's own earned income had reached \$6,240.

Not Enough Rich to Soak

How many billions of dollars in subsidies this would involve, and what rate of income tax would be required on all families with incomes *above* \$6,240 to raise the revenue necessary to pay these subsidies, if any rate could, I leave to the professional statisticians to calculate.

But it is obvious that this program could not be paid for by "the rich." If we were to subsidize all family incomes below \$6,240 it would be hardly consistent to tax them. Yet *net* incomes below \$6,000 (after exemptions and deductions) are now taxed at rates up to 22 per cent, beginning with 14 per cent even on the first \$500 of net income. In fact, all personal net income of \$6,000 or less is now the source of nearly 80 per cent of all personal income tax revenue. Yet, as I have already pointed out, the Census Bureau calculates that the median income for all families in 1964 was only \$6,569; and taxpayers with adjusted gross incomes of \$15,000 or less receive three-quarters of the total personal income there is to be taxed.

Neither a "negative income tax"

nor a guaranteed income plan of the dimensions being suggested could possibly be put into effect with dollars of present purchasing power.

It may be added that the negative income tax would have all the administrative problems that would afflict the guaranteed income proposal — fraud, corruption, necessary applicant-by-applicant investigation, and irrelevance of payment to present need.

And once the main principle of either proposal were accepted, the minimum subsidy or guarantee demanded would be bound constantly to increase. Anyone who doubts this need merely consult the history of unemployment insurance and social security benefits since the plans were initiated in the 1930's. It is significant that several of the advocates of the guaranteed income acknowledge that their idea originated with the more modest negative income tax proposal of Milton Friedman. They just expanded it.

So knowing what we do of political pressures, and of the past history of relief, "social insurance," and other "antipoverty" measures, we are forced to conclude that once the principle of either the negative income tax or the guaranteed income were accepted, it would be made an addition to and not a substitute for

the present conglomeration of relief and "antipoverty" programs. And even alone it would drastically reduce the productive incentives of those earning less than the guaranteed amount and seriously reduce the incentives of those earning more, because of the oppressive taxation it would necessarily involve. Its over-all effect would be to level real incomes down, not up.

Even at present our large and overlapping assortment of relief and antipoverty measures is seriously reducing incentives to the production that would otherwise be possible. Our social reformers have been everywhere overlooking the two-sided nature of the problem of reducing poverty. The obstinate two-sided problem we face is this: *How can we mitigate the penalties of misfortune and failure without undermining the incentives to effort and success?*

The Poor Laws of England

Our social reformers — who sometimes talk as if no government ever did anything to relieve the plight of the jobless and the poor until the New Deal came along in 1933 — are constantly deploring the alleged indifference, callousness, or niggardliness of our forefathers in dealing with the poor. But wholly apart from private charity, previous generations

in their governmental capacity were sharply aware of the problem of poverty and made some effort to alleviate it almost as far back as the records go. There were "poor laws" in England even before the days of Queen Elizabeth. A statute of 1536 provided for the collection of voluntary funds for the relief of those unable to work. Eleven years later the City of London decided that these voluntary collections were insufficient, and imposed a compulsory tax to support the poor. In 1572 a compulsory tax for this purpose was imposed on a national scale.

But the problem soon proved a very serious one for the people of that age. The upper class was very small numerically and proportionately. The middle class itself was always very close to what we would today call the poverty line. The workhouse and other conditions imposed on those on relief seem very cruel to us today. But our ancestors were in constant fear that if they increased relief or relaxed the stern conditions for it they would pauperize increasing numbers of the population and create an insoluble problem.

At the beginning of the nineteenth century, indeed, the cost of poor relief began to get out of hand. The total cost of the poor

law administration increased fourfold in the thirty-two years between 1785 and 1817, and reached a sixth of the total public expenditure. One Buckinghamshire village reported in 1832 that its expenditure on poor relief was eight times what it had been in 1795, and more than the rental of the whole parish had been in that year.

In face of statistics of this kind, England's Whig government decided to intervene. It appointed a royal commission, and in 1834 a new and more severe poor law was passed in accordance with the commission's recommendations.

The guiding principle of the new law was that poor relief should be granted to able-bodied poor and their dependents only in well-regulated workhouses under conditions inferior to those of the humblest laborers outside. This seemed harsh, but the commissioners had argued that "every penny bestowed that tends to render the condition of the pauper more eligible than that of the independent laborer is a bounty on indolence and vice."

If the pendulum swung too far in the direction of severity and niggardliness in the middle nineteenth century, it may be swinging too far in the direction of laxity and prodigality today. A

sweeping subsidization of idleness, such as is proposed by the guaranteed income, would only weaken or destroy all incentive to effort, not only on the part of those who were subsidized and supported, but on the part of those who would be forced to support them out of their own earnings. There could be no faster way to impoverish the nation.

The Cure Is Production

One of the worst features of all the plans for sharing the wealth and equalizing or guaranteeing incomes is that they lose sight of the conditions and institutions that are necessary to create wealth and income in the first place. They take for granted the existing size of the economic pie; and in their impatient effort to see that it is sliced more equally they overlook the forces that have not only created the pie in the first place but have been baking a larger one year by year. Economic progress and justice do not consist in beautifully equalized destitution, but in the constant creation of more and more goods and services, of more and more wealth and income to be shared.

The only real cure for poverty is production.

The way to maximize production is to maximize the incentives to production. And the way to do

that, as the modern world has discovered, is through the system known as capitalism — the system of private property, free markets, and free enterprise. This system maximizes production because it allows a man freedom in the choice of his occupation, freedom in his choice of those for whom he works or who work for him, freedom in the choice of those with whom he associates and cooperates, and, above all, freedom to earn and to keep the fruits of his labor. In the capitalist system each of us, with whatever exceptions, tends in the long run to get what he creates or helps to create. When each of us recognizes that his reward depends on his own efforts and output, and tends to be proportionate to his output, then each has the maximum incentive to maximize his effort and output.

No Effective Poverty Programs for Underdeveloped Countries

Capitalism brought the Industrial Revolution, and the enormous increase in productivity which this has made possible. Capitalism has enormously raised the economic level of the masses. It has wiped out whole areas of poverty, and continues to wipe out more. The so-called "pockets of poverty" constantly get smaller and fewer.

The condition of poverty, moreover, is relative rather than ab-

solute. What we call poverty in the United States would be regarded as affluence in most parts of Africa, Asia, or Latin America. If an income sufficient to enable a man "to live with dignity" ought to be "guaranteed" as a matter of "absolute right," why don't the advocates of a guaranteed income insist that this right be enforced first of all in the poor countries, such as India and China, where the need is most widespread and glaring? The reason is simply that even the better-off groups in these nations have not produced enough wealth and income to be expropriated and distributed to others.

One of the guaranteed-income advocates, in a footnote, admits naively: "We must also recognize that we still have no strategy for the elimination of poverty in the underdeveloped countries." Of course they haven't. The "strategy" would be the introduction of free enterprise, and of incentives to work, to save, to accumulate capital, better tools, and equipment, and to produce.

But would-be income guarantors ignore or despise the capitalistic system that makes their dreams dreamable and gives their redistribute-the-income proposals whatever plausibility they have. The capitalist system has made this country the most productive and

richest in the world. It has continued to achieve its miracles even in the last generation, and to increase them year by year. It has raised the average weekly factory wage from less than \$17 in 1933 to \$110 today. Even after the rise in prices is allowed for, it has more than doubled our real per capita disposable income—from \$893 in 1933 to \$2,200 in 1965.

Allowed to continue to operate with even the relative freedom

that it has enjoyed in recent years, the capitalist system will continue to produce these miracles. It will continue to make progress against poverty by a *general* increase in income and wealth. But short-sighted and impatient efforts to wipe out poverty by severing the connection between effort and reward can only lead to the growth of a totalitarian state, and destroy the economic progress that this country has so dearly bought. ♦

AN ADMISSION OF FAILURE

DONALD WALTER SHOROCK

THE "TRUE BELIEVER" of our day seems marked by a willingness to force others to act according to his beliefs. Too civilized to resort to direct open force, he advocates government action instead.

Much may be said for a person who is generous with his own resources, but a "true believer" wants everyone to be generous. Not that he would play the role of Robin Hood; his is the more

civilized approach of asking government to do the job. Thus, the primitive "justice" of waylaying the tax collector and dividing his purse among harassed taxpayers becomes the "true believer's" rationale for seizure and redistribution of property that men have earned and are using in service to willing customers.

Those persons greatly concerned about the use of alcohol often follow similar tactics. It is not enough for them to understand that drinking can lead to loss of

Mr. Shorock is a senior majoring in Speech, with a minor in Economics, at Ottawa University in Kansas.

judgment and injury to one's health. Nor is it enough, they say, to make these facts available so that others might come to the same conclusions. The "true believer" concerning the evils of drinking would not allow anyone to drink — would force him not to.

The person who advocates governmental redistribution of wealth is often heralded as the great humanitarian. And only the Prohibitionist is presumed to be deeply concerned about the drinking problem. Thus, those who have the least faith in their own ideas are judged to be the true believers.

If a person has faith enough in his own ideas, he feels no need to force others to accept his moral judgments and conclusions. If his premises and facts are sound and his logic valid, others should have no problem agreeing with his con-

clusions; and in case they do not, the failure may be his rather than theirs.

Those who would force others into agreement would seem to be admitting failure. Any idea which inspires so little confidence among its advocates is hardly worthy of becoming a law to govern everyone.

As a reminder of the foolishness of trying to force others to my standards of morality, I refer frequently to a small card at my desk:

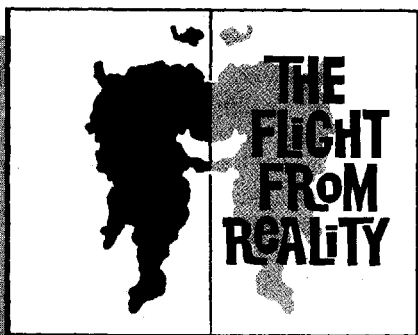
May I have ideas in which I have enough trust that I never feel a need to force others to live by them. And may I have ideas worthy of this trust.

IDEAS ON LIBERTY

Princes and Paupers

FOR A MAN who can command another man's labor and self-denial for the support of his own existence is a privileged person of the highest species conceivable on earth. Princes and paupers meet on this plane, and no other men are on it at all. On the other hand, a man whose labor and self-denial may be diverted from his maintenance to that of some other man is not a free man, and approaches more or less toward the position of a slave.

WILLIAM GRAHAM SUMNER, *What Social Classes Owe to Each Other*



22.

Divide and Conquer

CLARENCE B. CARSON

IDEAS HAVE CONSEQUENCES, said Richard Weaver. He wrote a book on the subject, mainly to demonstrate that ideas which entered the stream of thought centuries ago have continued to inform our thought and unfold in the directions implicit in them. (Perhaps he also demonstrated in yet another way, how the sins of the fathers are visited upon the children to the seventh generation, or beyond.) Ideas have consequences in two realms. Ideas which serve as basic assumptions (often unconsciously held and unexamined) have consequences in the realm of ordinary beliefs and thoughts. When applied, ideas also result in acts, which have con-

sequences. This can be stated as a proposition: Ideas lead to acts which have consequences.

This latter formulation facilitates a most important distinction. Our ideas may become more or less determinative in the area of thought and belief, and thus determine our actions. But ideas do *not* determine the consequences of acts. The consequences of acts follow, of necessity, from the nature of the acts. This is so because the universe is ordered in a certain way; it is so ordered that the consequences appropriate to the act follow from it. Ideas may be inaccurate, invalid, or bear no relation to reality. It is possible to act on the basis of such ideas. But action, any action, brings the one who acts into the orbit of reality. What follows is governed neither by his will, his

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

beliefs, nor his claims about it. A man may, for example, believe that he is on the first floor of a building when he is actually on the twelfth floor. If a fire breaks out and he attempts to jump to safety from the window, he will fall twelve stories, probably to his death, just as surely as if he had known he was on the twelfth floor.

It is a measure of the extent of the general confusion of our age that so obvious a truth would need spelling out. It is generally accepted, at least among intellectuals, that ideas have consequences; but it is not usually admitted that acts have consequences which bear no necessary relation to the ideas and beliefs or motives which prompted them. If this were well known and admitted, there probably would have been no occasion for undertaking the work in hand; for this work is an account of men under the sway of an illusion, who are on a flight from reality.

The flight, however, has been in the realm of ideas. Once the ideas have been applied, a fateful junction with reality has been made; the consequences that have followed have been quite real, and they have been those that follow from such actions. The matter is more complicated than this sounds, however. There is a sense, also, in

which the consequences have followed from the ideas—not from the claims about them, the hopes for them, or the illusions about them, but from the nature of the ideas themselves. Ideas, too, have the consequences appropriate to them when they are applied.

The misunderstanding of reformist intellectuals extends not only to the nature of the universe but also to the nature of ideas. Ideas must be about reality, else, when applied, they will produce not what is claimed and hoped for them but what must follow from their character. The inner contradictions of meliorism have borne their bitter fruit in actuality. Ideas which result in acts have consequences appropriate both to the ideas and to the acts.

Applying the Ideas

This work, thus far, has dealt mainly with the development of reformist ideas and their propagation. That is only part of the story. The ideas have been applied, and this application has had consequences. In many ways, the story of the application and consequences is more important than an account of the development of ideas. At any rate, intellectual history by itself is incomplete and misleading; it needs to be joined to actuality by an account of what happens when ideas are brought

to bear on reality. To do this, the first step is to deal with the application, and the second is to treat of the consequences.

Meliorism is the gradualist way to utopia. To accomplish utopia, society must be transformed. Meliorism is the method for gradually transforming society by the use of government power and force. It has been the perennial claim of meliorists that they believed in and were using democratic methods for transforming society.

There were tremendous obstacles in the way of translating meliorist ideas into action and none more formidable than those involved in attempting to justify the use of force to transform society in the name of democracy. The democratic use of force to transform society is such a basic contradiction that it should be rejected *prima facie* as preposterous. It has all the logic of a man's holding a gun to *his head* to force himself to do something. If those who make up a society want to change their ways of doing things, what is to keep them from it? They can only be prevented by force from making the changes they desire; and if government has a monopoly of force, the only obstacle to such changes would be government. But, in this case, all that would be needed would be to

remove the governmentally enforced rigidity. There would be no call for the use of force to accomplish the transformation. For a society to be transformed democratically by the use of force would have to mean that the members of a society would be using or sanctioning the use of force on themselves to transform themselves. This is so unlikely that it will hardly be believed until the matter has been carefully examined.

The Beginnings of Society

The examination should begin by getting clearly in mind what society is and by making a careful distinction between society and government. "Society is produced by our wants," Thomas Paine said, "and government by our wickedness; the former promotes our happiness *positively* by uniting our affections, the latter *negatively* by restraining our vices." To make clear the natural origin and felicitousness of society, Paine imagined what might happen to people newly arrived in some land, under no compulsion but that of their own needs:

In this state of natural liberty, society will be their first thought. A thousand motives will excite them thereto, the strength of one man is so unequal to his wants, and his mind so unfitted for perpetual soli-

tude, that he is soon obliged to seek assistance and relief of another, who in his turn requires the same.¹

John C. Calhoun made a similar observation a few years later:

In considering this, I assume as an incontestable fact that man is so constituted as to be a social being. His inclinations and wants, physical and moral, irresistibly impel him to associate with his kind; and he has, accordingly, never been found, in any age or country, in any state other than the social. In no other, indeed, could he exist, and in no other — were it possible for him to exist — could he attain to a full development of his moral and intellectual faculties or raise himself, in the scale of being, much above the level of brute creation.²

Society, then, is that which results from the needs of men to commune, to exchange, to specialize, to be nurtured, to learn, to express, to be solaced, to associate in common undertakings, to work, to play, to give, and to receive. A society is any community of men who share a preponderance of means — language, customs, habits, traditions, procedures, and beliefs — which facilitate such interchange and communion. Certain practices are anathema to society as well as

being harmful to individuals, such as fraud, deception, violence, and thievery.

Government is that agency of a community which has a monopoly of the use of force for the legitimate purpose of keeping the peace by administering justice and deterring or punishing those who would do harm to individuals and disrupt the harmonious relations necessary to society (that is, to the peaceful association of men). As Calhoun said, "It follows, then, that man is so constituted that government is necessary to the existence of society, and society to his existence and the perfection of his faculties."³

Communications Changed

Those who speak of transforming society must mean the changing of the means generally employed in a society to facilitate interchange and communion. That is, they must mean to change the language, customs, habits, traditions, procedures, and/or beliefs, for there is nothing else to be changed.

Now these things do change, usually very slowly and over a long period of time. For example, language does change; new words are added and old words dropped, pronunciation subtly altered, and even the modes of expression varied. In the absence of force, it may be as-

¹ Gerald N. Grob and Robert N. Beck, eds., *American Ideas*, I (New York: Free Press of Glencoe, 1963), 190-91.

² *Ibid.*, p. 431.

³ *Ibid.*, p. 432.

sumed that changes in language occur in accord with other changes in the ways of people in a society and in keeping with what is acceptable to the generality of people or those who are looked to for standards.

In like manner, changes may occur in habits, customs, traditions, and procedures. It should be noted, however, that any drastic change in any or all of these will disrupt rather than facilitate social relations, will produce confusion and disorder rather than harmony. For example, if words are suddenly employed in unconventional ways, by decree, as it were, communication will be crippled, and uncertainty will prevail.

If the generality of people want to change their ways of doing things, there is nothing to prevent their doing so. There can be no occasion for the use of force (i.e., government) to produce the change on the grounds that it is what the people want. If they wanted it, they would have only to make the change. Actually, such evidence as I am familiar with would indicate that people do not ordinarily seek change, at least not most people. They may want to change others, but in their own affairs they cling tenaciously to the ways with which they are familiar. This is as it should be, for it means that such changes as are made will be limited, be accepted

piece by piece, and will not be disruptive of human relations which make for society. Generally, only such changes will be accepted as can be fitted into the familiar pattern of one's life and social relations.

The Injection of Force

Force, aimed at transforming society, does, in fact, tend to destroy society. It introduces violence into the delicate framework of human relations; it produces resentment and resistance, and, at best, reluctant compliance. Men cannot be made to commune with one another; they can be forced to go through the motions of doing so. Society flees compulsion; it is formed once again in the interstices of the areas of the application of force. As these are closed up, society moves into the black market.

Examples of these developments are numerous in the contemporary world. Compulsory efforts at racial integration have resulted in the movement of people into the suburbs. Compulsory integration of recreational establishments have resulted in burgeoning private clubs. If a language is proscribed, people will speak it surreptitiously. If the sale of alcoholic beverages is prohibited, people will turn to bootleggers. If men cannot exchange goods on mutually acceptable

terms, because the law forbids it, they will do so illegally in black markets.

It is doubtful that society ever has been or can be destroyed, so long as men exist. So deep is the need for meaningful and fruitful relationships, for those that arise willingly out of men's desire to participate in them, that when society is driven from the public domain it will be formed once again in the byways and closets which men seek out and find.

Change by Conquest

It is unlikely that a people would invite such hardship upon themselves. So unlikely is it that attempts to transform society by force prior to the twentieth century have been made in two ways: by conquest and by revolution.

There have been a number of instances in history of conquerors attempting some degree of transformation in society. Before the Modern Era these usually had as their object the consolidation of rule and control by the conqueror. An example of this would be the changes made in England after the Norman Conquest. After William, Duke of Normandy, defeated Harold Godwin at the Battle of Hastings in 1066, he imposed his own system of feudalism upon England. He parceled out the lands to his warriors, making his lieutenants the

great tenants-in-chief of the realm. He provided that in cases of subinfeudation the primary allegiance of all vassals would be to him and only secondarily to their particular overlord. Castles, the impregnable fortresses of the Middle Ages, could only be built when he licensed them. The Church was brought securely under William's control.

It is doubtful that William "transformed society" in England; rather, he changed the political organization so that the main lines of power led to and came from him. In general, local custom and tradition continued to hold sway, hardly altered by his innovations. He did authorize a census of the land, the results of which were compiled in the Domesday Book, but even this was met with a great deal of complaint and grumbling.

A somewhat more thorough effort at social transformation, after conquest, was made in the United States after the Civil War. Crusty Thaddeus Stevens proclaimed, from his pinnacle of power in the Congress, "The future conditions of the conquered power depends on the will of the conqueror." Congress proceeded with a right good will to attempt to reconstruct the South. By constitutional amendments slavery was abolished, prohibitions made against payment for slaves and the payment of the

Confederate war debt, and restrictions placed on state activity. The South was occupied by military forces, part of the population disfranchised, others enfranchised, and local governmental power fell into the hands of Carpetbaggers, Scalawags, and newly freed Negroes. These attempted to use the force of law, assisted and enforced by Federal troops, to transform the South. The South was changed, too, but not in accord with the vision of reconstructionists. The whites regained political power in the course of time, effectively disfranchised the Negroes, and new laws and practices were adopted in the light of altered conditions. Society lived on in the interstices of political power and, as force receded, regained sway in the lives of men.

Revolution is only a more subtle form of conquest, not an entirely different approach to social transformation. It differs from the conventional idea of conquest in that those who would reconstruct the society are not foreigners but come from among those whose lives they would change. (Even this distinction has begun to break down in the communist revolution of World War II and after.) Nonetheless, it is a kind of conquest, as all historical instances indicate.

Initially, there may be an attempt to make the changes by legislatures, though the members of

these shortly cease to stand for election, if they ever did. Military forces are employed in subduing the population. In short order, all power gravitates into the hands of a single man — to Oliver Cromwell, to Napoleon Bonaparte, to Nicolai Lenin, to Mao tse Tung, and so forth — and he uses it to impose his will upon the populace. The differences between William of Normandy and Joseph Stalin are the differences made possible by technology and in aims. They were both conquerors.

By Vote of the People

A new phenomenon has occurred in the twentieth century: the concerted effort to transform society by force with popular consent. The truly amazing feature of this is that it apparently is being done. Elections are still held, devices for divining the popular will employed, and social reconstruction proceeding apace. Certainly, a great deal of ingenuity has gone into bringing about this state of affairs. As I have said, the use of the government to transform society by popular consent means that the populace must sanction the use of force upon itself to make it change its ways. It means, too, that men must support measures which decrease the control of their own affairs, that they must give their approval to the reduction of their

liberties. They must assent to the reduction of the avenues open to their voluntary endeavor. They must sanction the use of force in ever larger areas (for the transformation is to be achieved gradually) of their lives and the shoving of society into such corners as remain.

An example of how efforts at social transformation by force lead to just such consequences can be given from contemporary developments. One of the bonds that linked most Americans together in society has been religion. More specifically, almost all Americans have a Judeo-Christian background, and for most of them it is Christian. This bond was strengthened by the fact that force was removed from religion early in the history of the Republic, and men were able to live in peace with those of different sects, denominations, and churches while sharing many religious concerns and beliefs with one another. Communities frequently were sufficiently homogeneous in religious background to observe religious rituals in public affairs without giving offense to members of the community.

Eventually, though, the passion for social transformation was introduced into the schools. Attendance at schools was compelled, and schools were financed by tax

monies. So long as this was done locally, conflicts about religious observance were minimal. But American society could not be transformed to the ideological prescription if local variation were permitted. Eventually, the governmental unit with power over all America must take over the direction and control of the public schools.

At this level, religious differences are magnified, and are a potential source of perpetual conflict as well as an obstacle to uniform social transformation. Religion must be driven from the schools; even voluntary practices cannot survive the uniform application of force in an area. There is a logic to recent Supreme Court decisions, however illogical they may appear from a strict construction of the Constitution.

Men have not *knowingly* consented to the use of force upon themselves to have their ways of life changed and their liberties circumscribed and reduced. It is conceivable that men, somewhere at some time, may have done or will do so. In some few instances, regarding particulars, they have probably done so in America. But as to an over-all effort at social transformation, which has been going on, Americans have not given their approval to it. Before any such undertaking occurred,

the government of America was taken from popular control. More precisely, the control of the United States government has been and is being taken bit by bit from the American people. There has been a rough correlation between the extent of social transformation and the decline of popular control.

The Democratic Way

The greatest irony of all, perhaps, is that this has gone on in the name of democracy, that is, in the name of government by the people. This development has been advanced subtly, and it must be described in detail before it can be understood or should be accepted.

Certain developments in ideas prepared the way for this flight from "democracy." They have already been presented and need only to be summarized here. Democracy was changed from a means to an end. As an end, it could serve as the object for doing things that could not be done in a "democratic" manner.

A most subtle intellectual device for taking attention away from the choice to be made has been for reformers to proclaim that whatever they wanted done had become inevitable as a result of trends and developments in history. Obviously, if it is inevitable there is no choice to be made,

though one may go through the silly motion of ratifying the "inevitable" trend at the polls by voting for it. (Of course, there have been "die-hards" who have had the temerity to oppose the "inevitable.") At least, one will have voted; and that is, after all, all that matters! More subtly, men were prepared for the turning over of their affairs to supposed experts and authorities by scientism. There was yet another idea — the theory of classes and class struggle — which played a large part in the flight from popular government, but it can be brought up again in connection with the first major step in cutting society apart.

There should be no doubt, however, that majorities frequently have voted for the advocates of melioristic programs. At a casual glance, it looks as if the changes have been made with popular approval. When I say that they have not, I mean that men have not generally known what they were voting for. They have listened to the claims of politicians, not examined the nature of the actions proposed nor the substance of acts passed by legislatures.

Probably, not one person in ten thousand has read any considerable portion of the major acts passed by Congress in the last fifty years. Of those who have,

a much smaller number can have understood much about them. As to the consequences of these acts, no man could, in a lifetime of study, perceive more than the outlines of them. It has been beyond the abilities of the electorate to give their approval to what has been done. At best, men have voted in favor of those who made certain claims, not for what was actually done.

Even so, electoral approval has meant more than this would suggest. The claims often reveal a part of the truth about the nature of what is to be done. It is unlikely that men will vote to have their ways of life changed, but they will vote for changing others. They will vote for those who promise to shackle railroad monopolies, break up the Wall Street money monopoly, make businessmen follow fair trade practices, curb the economic royalists, and handcuff predatory activity. Northerners will vote to make Southerners toe the line on the racial issue. Negroes will vote to make white men behave more congenially toward them. Farmers will vote for forcing industrialists to give them their "fair share" of the national wealth. The aged will vote to have the young taxed to support them. Parents can be attracted by the notion of having those without children assist in

educating theirs. There is something irresistibly attractive to most people about others being penalized and oneself benefited.

Class Legislation

Divide and Conquer — that has been the method employed to bring about social transformation. Divide the population into classes: into capitalist and laborer, into farmer and industrialist, into white collar and blue collar, into urban and rural, into Negro and white, into old and young, into Protestant and Catholic. Sow seeds of discord throughout society. Tell the laborer he is being exploited by the capitalist. Tell the westerner he is being taken advantage of by the easterner. Tell the farmer he is the backbone of the nation but is having the marrow sucked out of the bone by miserly advocates of the gold standard. Tell Negroes they are being exploited by landlords turned slumlords.

Promise to change all this by forthcoming legislation: by the free coinage of silver, by anti-trust acts, by creating a super banking system, by providing low interest long-term loans, by regulating the stock exchange, and so on. When the old demons — Wall Street, capitalists, millionaires — have been controlled or subdued, forge the classes into electoral

majorities by making war on abstractions, such as depressions and poverty. Such has been the history of gaining the semblance of popular approval for the effort at political transformation of society in recent decades.

The conquest has been much more subtle. There are many facets to it; for all those actions taken in the supposed interest of some group or class have had consequences. Some of these consequences will be explored at other points in the story. Here, however, the conquest will be examined only for its impact upon men as individuals and upon society, and the import of these developments upon popular government.

Individualism Denied

First, to the extent that a man has become class conscious, to the extent that he assumes the role that is imputed to him, to that same extent he has ceased to be a whole man. A man may be a worker, any sort of worker, and also be in favor of giving an honest day's work. He cannot, however, belong to the "laboring class" and insist upon giving a *quid pro quo* for his wages. As a "laborer," he must realize that management is out to do him in, overwork him, replace him, cheat him, in a word, exploit him. He must, therefore, insist upon doing as little as pos-

sible, resist additional duties, oppose the introduction of machinery, cling tenaciously to every prerogative and position ever created, though there may no longer be any purpose for it. If he belongs to the managerial class, he must see himself in opposition to the "laborers," though he may mute this because it may be advantageous to pose as the friend of labor. A man may be a Negro and oppose switchblade knives, but he cannot be a "Negro," a member of that newly arrived class, and openly oppose switchblade knives, because these are supposed to be symbolically associated with Negroes by white men.

Numerous other examples could be given, but perhaps it is unnecessary. Those who think in terms of class in the contemporary class struggle framework cannot act as whole men. Theirs is not the full-throated voice of man; it is a pipsqueak because part of him is cut off from the rest of him. A man cannot vote the interests of "labor" and vote his whole interests as a man. A man may be not only a worker in a factory but also a husband, a father, a son, a deacon in his church, a Mason, a golfer, a property owner, a debtor, a creditor, a consumer, a seller, a hunter, an army veteran, plus all those tangibles and intangibles which make

him the unique individual that he is. His interests are too much those of all other men to be expressed by any single facet of them called "labor." No majority of votes, however large, made up of those who have supposedly voted their class interests can indicate popular approval. It can only mean that a large number of people have voted some small portion of themselves, misled into thinking that they were voting for that which was in their interest.

Dissecting Society

The impact upon society is equally devastating. Those who have divided the American people into classes have not only set each man who accepts this against himself but also set men against men and groups against groups. They have broken down the lines of communication which link men together in society. Political force that was supposed to transform society has, instead, cut society apart. The politicalizing of life tends to make all groups into pressure groups, absorb the energy that is put into them into seeking favors from government. Those

who seek meaningful social life must do so increasingly outside the ambit of organizations.

Yet society is transformed; it is rendered impotent. That is, those who would defend the language, customs, traditions procedures, and beliefs which make society possible, who would speak in the name of virtue and morality, are drowned out in the cacophony of voices defending one special interest or another. The conquest is of men and society. Of the conquerors, it may be said here that they have great power for their reward. But this was ever the object of conquerors!

Of course, there were other obstacles in the way of those who would use the power of government to transform society. The United States Constitution was probably the most important one. It was so drawn, according to James Madison, as to make exceedingly difficult the concert of special interests which might crowd out the general welfare. We will examine next the flight from the Constitution which made it possible to divide and conquer the American people. ♦

*The next article in this series will pertain to
"The Flight from the Constitution," Part I.*



the Independent School

JOHN F. GUMMERE

THE INDEPENDENT SCHOOL provides an excellent example of free enterprise. In a field in which the product (or a legalized facsimile thereof) is available to everyone at no charge, thanks to taxes, independent schools must offer something which the general public thinks worth buying.

Tax-supported government programs go on and on, even when inefficiently and wastefully managed. This is not to say that public education is thus managed, but it is to say that the lifespan of a private enterprise depends very much upon how it is managed. It operates efficiently, or it goes out of business.

The rules of tenure for teachers were established to protect professionals against politics, ignor-

ance, and other sins of boards of public education whose members were sometimes incapable of intelligent management of schools. Teachers were also protected against spite, malice, prejudice, and similar evils. But everybody who knows anything about tenure also knows that it serves to protect the mediocre.

Tenure is not granted in independent schools (there are very few exceptions). It is hopefully (and for the most part rightly) assumed that the managing boards of such schools will not be a prey to the ills referred to above. Moreover, the feeling is that no employer should be compelled to continue the employment of people who do not measure up. Thus, the free market again asserts itself. The teacher's protection is not that of legislation but of the

Mr. Gummere is Headmaster of the William Penn Charter School in Philadelphia.

knowledge that he is doing a proper job.

Independent schools serve the interesting and vital function of providing services, ideas, innovations with which state-supported schools are not free to experiment.

In the free market, consumers determine which goods and services will be bought. Producers of goods and services are thus compelled to make them at least as good as, if not better than, competing suppliers do, or go out of existence.

Independent schools offer such services; and upon their management lies the heavy responsibility for making good. The teachers do not have tenure; therefore, upon them lies the necessity of doing their jobs well.

Those associated with independent schools, be they trustees, administrators, teachers, staff, know all this perfectly well. All are free to work where they are for the kind of education in which they believe, or to go somewhere else. Thus, management, teachers, and staff must produce and co-operate conscientiously and satisfactorily.

Meantime, the public evaluates what is offered, and is free to buy or not. The fact that the public is buying, more and more, and contributing generously in campaigns for funds proves the capacity of independent schools to survive and grow in a market much of which has been pre-empted by government. ◆

IDEAS ON LIBERTY

Individuals Know Best

THE TRUTH is that many different things are most important, each of us having his own idea of their relative importance, depending upon the time and circumstances. Each of us tends to do what seems most important to him at the moment, and this accounts for all human creativity and production. With our creative and productive specialties we come to be important to one another, often in ways which could not be foreseen and which many of us may never clearly understand. This variability in the subjective judgments of the importance of things is the basis of all trade and voluntary cooperation, enabling each productive individual to gain peaceful possession and use of vastly more than he could ever hope to attain strictly on his own.

VICTOR JACOBSON, "Most Important," from *Essays on Liberty*, Volume IV

The Businessman—Hero or Villain?

• *Dr. William H. Peterson was Professor of Economics at New York University's Graduate School of Business before joining the staff of United States Steel Corporation in 1964. This article is reprinted by permission from the February 12, 1966 special 75th anniversary edition of Farmand, oldest business journal in Scandinavia, published in Oslo.*

Dr. Trygve J. B. Hoff, 70 last November and editor of Farmand since 1935, has won friends around the world with his staunch and undeviating stand for a society characterized by law and order, freedom, and respect for the individual and the dignity of man.

Dr. Peterson is one of the several members of the Mont Pelerin Society contributing articles on various aspects of business and economics to this commemorative issue of Farmand.

Copies of the 240-page anniversary edition, in English, at \$1.50 each, may be ordered direct from Farmand, Roald Amundsensgt. 1, Oslo 1, Norway.

• ITEM: "The hero," said Thomas Carlyle to a London audience in 1840, "can be poet, prophet, king, priest, or what you will, according to the kind of world he finds himself born into."¹ Significantly, in the midst of the Industrial Revolution, in the midst of probably the greatest single—and still ongoing—surge of material well-being for the ordinary citizen, Carlyle did not mention the businessman among his possible heroes.

• ITEM: In the 1880's social philosophers Herbert Spencer in England and William Graham Sumner in America viewed the businessman as a most creative and vital member of society. In the same period Horatio Alger's rags-to-riches novels, largely on successful businessman heroes, reached their zenith in popularity.

• ITEM: Each of the 450 freshmen at Antioch College in 1964 was asked to name his personal hero—i. e., any twentieth century person whom he most admired. The top ten heroes of 104 named were Mohandas Gandhi, John F. Kennedy, Winston Churchill, Franklin D. Roosevelt, Martin Luther King, Albert Schweitzer, Bertrand Russell, Eleanor Roosevelt, Albert Einstein, and Woodrow Wilson. Yet

not a single one of the 104 turned out to be a Carnegie, Ford, McCormick, Nobel, Rothschild, Rockefeller, Morgan, or any other industrialist or financier. In other words, no Antioch freshman viewed any businessman as his hero although, probably, many fathers of the freshmen are businessmen.

So, even though the businessman has had his ups as well as downs in public esteem since 1840, his image at this hour of history still appears less than wholesome and constructive. For example, Amherst College reports 48 per cent of its alumni are businessmen, but fewer than 20 per cent of recent graduates have been entering business. Again, Harvard University reports only 14 per cent of its class of 1964 planned business careers, down from 39 per cent five years earlier, although part of this decline may be attributed to the growing popularity of working for advanced degrees. Said, in a typical vein, Arthur Lyon Dahl, a June 1964 graduate of Stanford University, of his classmates: "I know of almost no one who even considered a business career."² This situation seems to betray an ambivalent business image and does not bode well for the prospects of freedom

¹ *On Heroes, Hero-Worship and the Heroic in History* (London, 1871), p. 78.

² *The Wall Street Journal*, November 10, 1964.

and free enterprise. Images are important; they reveal our thinking, our creeds, our inner conflicts; they influence our actions.

Now, if the word on the campus is that business is for the birds, if the word elsewhere is that the businessman is to be regarded as a suspicious creature who must be publicly controlled if he is to be privately tolerated, it follows that the climate for business will hardly be conducive to the full flowering of trade and investment or, more importantly, of individual values and human liberty.

Hence, saint or sinner, oracle or ogre, hero or hellion; what is the proper image of the businessman in a free society? The inquiry is fraught with some complication.

The Anticapitalistic Bias Among Intellectuals

For one, I think his image varies with the era, its values, and especially its intellectuals. Intellectuals are crucial in the art of image-making. And as a rule the intellectual, from Plato and Aristotle on, has rarely turned a kindly eye on the businessman, as may be inferred, for example, from the ancient and medieval castigations against usury and trade. In a typical vein, Cicero wrote in his *De Officiis*: "Those who buy to sell again as soon as they can are to be accounted as vulgar; for they can

make no profit except by a certain amount of falsehood, and nothing is meaner than falsehood."³

Similarly, from that durable milieu of what von Mises calls "the anticapitalistic mentality," one should note the introduction to the Modern Library edition (1937) of Adam Smith's *Wealth of Nations*. For in this most popular edition in the United States and Canada, an edition read by countless college students, the introduction is made by Max Lerner, who does not hide his dis-sympathy with the business system, notwithstanding the fact that the Adam Smith work is a classic in defense of capitalism. Lerner labels Smith as "an unconscious mercenary in the service of the rising capitalist class," holds that Smith gave "a new dignity to greed and a new sanctification to the predatory impulses," maintains that the father of modern economics developed his essentially labor theory of value awkwardly and hence, "it remained for Marx to refine it, convert it into an instrument of analysis, and extract from it the revolutionary implications that were inherent in it from the start."⁴

Keynes, giant of economic

³ Quoted by Lewis H. Haney, *History of Economic Thought*, 4th edition (New York, 1949), p. 79.

⁴ p. x.

theory in this century and image-maker extraordinary, also seemed to have had little love for the businessman. Free private investment, he held, swings on "the nerves and hysteria and even the digestions" of private investors, on "whim or sentiment or chance"; and "enterprise only pretends to itself to be mainly actuated by the statements in its own prospectus." Well, if businessmen are so whimsical, nervous, hysterical, pretentious, and untrustworthy to invest for the general welfare, what then? Keynes gives his prophetic answer: "I expect to see the State, which is in a position to calculate the marginal efficiency of capital goods on long views and on the basis of the general social advantage, taking an ever greater responsibility for directly organizing investment."⁵

Plainly, then, to many thinking people, especially intellectuals and college and university students, business does not come across as a preferred institution among other social institutions in a free society. Plainly the businessman is not always regarded as a constructive, forward-looking member of the community. Apparently the typical college student prefers to enter teaching, social work, scien-

tific research, government work, the Peace Corps, or the professions of medicine, law, architecture, etc. Apparently many a student — and professor — looks upon business as little more than a dog-eat-dog world, dominated by the law of the jungle, corrupted by the drive for profit, and blind to almost every decent human value; and many other students and professors view business as a world of superficiality and conformity, a treadmill on which the individual gets nowhere and says nothing.

Productivity, Purpose, and Incentive to Save

Yet a big rub with such views of business and, indeed, with the whole problem of the image of the businessman, boils down to this: Precisely, what is a businessman? For business is an extremely protean and equivocal term and what people commonly assume to be a "businessman" may be altogether too arbitrary and too narrow a view. So much so that perhaps with a clearer understanding of just what a businessman is and what he is trying to do, the public may, hopefully, adopt a better image of him. But realistic, meaningful, and broadly applicable definitions of business — a word derived from "busy" — are hard to come by (as are, by the way,

⁵ *The General Theory of Employment, Interest and Money* (London, 1936) p. 164.

definitions for work and labor.⁶) For example, the editors of the four-volume *World of Business* (1962)—editor Edward C. Bursk of the *Harvard Business Review*, librarian Donald T. Clark, and business professor Ralph W. Hidy, all members of the Harvard faculty—concede that business is not easy to define and wind up not defining it. Similarly, Beardsley Ruml in his *Tomorrow's Business* (1945) also admits that defining business raises problems. For example, he is not sure whether farmers and professional people can be properly classed as businessmen. Still, his definition appears broad enough to include them, viz: "This is the business of business: first, to get things ready for use; second, to provide people with purposeful activity; and third, to give people a way to save productively a part of what they earn."⁷

In my judgment, the only workable definition of a businessman is necessarily a broad one, in that it should cover executives and entrepreneurs, bankers and sole proprietors, merchants and industrialists, professional men and

newspapermen. Indeed, who in this advanced age of division of labor doesn't "profess" some specialization, some marketable skill? Hence, a more satisfactory definition of a businessman would appear to be simply that of a person who is continuously engaged in voluntary trade or exchange of goods or services, including his own, for profit. The two key words here are "voluntary" and "profit." Voluntary involves choice for both the buyer and the seller, and means free, without coercion, and would be inapplicable to individual economic action under socialism. Profit—the term derives from the Latin *profectus*, meaning an improvement or advance—means benefit or gain, not necessarily pecuniary gain, and as a goal recognizes that human action is motivated directly or indirectly by profit, including psychic profit, or conversely, by the avoidance of loss, including psychic loss. Socially, profit is a means of control and a measure of usefulness. The successful corporation is a demonstration of social worthiness; the unsuccessful corporation is a demonstration of social unworthiness. So through profit-and-loss signals the public rewards success, penalizes inefficiency and controls investment—and businessmen—providing them with strong incentives to adjust to society's

⁶ For a searching analysis of this problem, see Roger M. Blough, "Work and the Individual in the Modern World," in *The One and the Many* by John Brooks and others (New York, 1962) pp. 173-208.

⁷ p. 32.

wishes. Thus do private incentives and business policy strongly tend to reflect the public interest.

To Each His Own Business

Under a broad definition of businessman, then, everyone from the street vendor to the head of General Motors or American Telephone and Telegraph is a businessman. And so, at least in some degree, is the accountant, actor, architect, artist, carpenter, doctor, engineer, musician, newspaperman, plumber, and, ironically, the intellectual—the writer, scientist, professor, playwright, etc. Each of these craftsmen sells his labor in the open market and buys goods and services on his own account. Frequently the motivation in these buying and selling activities is pecuniary. But even if not—and money, it must be remembered, is *not* an end in itself—it is still profit-oriented. The professor seeks gain in the form of the advancement of knowledge and the spread of education; the musician profits from musical enjoyment by himself and others; the physician derives psychic income from making sick people well; and so on.

Thus, as businessman Donald C. Cook of the American Electric Power Company observed in his "Intellect and Business: the Dialogue and the Challenge," the sev-

enth annual Business Leadership Lecture at the University of Michigan in 1964,⁸ every intellectual is in some degree a profit-oriented businessman and lives in a world shaped by business. Equally, every businessman worthy of his calling is in part an intellectual and is moved by the great ideas of his time. Each—intellectual and businessman—helps to create conditions to which the other responds; each is the customer of the other, giving and taking, buying and selling, and sharing generally.

At any rate, under a broad definition of the businessman, many in a free economy who do not consider themselves businessmen are actually already very much in business. Perhaps recognition of this broader definition could bring about an updated version of Molière's gentleman who discovered that he had been talking in prose all of his life. In other words, the public, hopefully, could come to the realization that practically everyone, male and female, young and old, rich and poor, is in business in one way or another, that in the words of Shakespeare, "every man has business and desire, such as it is." Even the housewife is in business for, when you think about it, the average American family currently earns and largely spends some \$8,000

⁸ *Michigan Business Review*, July 1964.

annually which, if multiplied by 45 years of employment, comes to better than one-third of a million dollars — and that's quite a business. Thus, every "worker," through his labor and the power of his purse, is at once a producer and consumer, a buyer and seller, an employee and employer, a customer and supplier.

Consumer Sovereignty

The point is that if everybody is to some significant extent in business, is a part of business and must carry out business functions in his daily life, it follows that he is part businessman, that a widely-held negative image of the businessman is incongruous and not a little masochistic. Can one logically find fault with a segment of society for doing what the whole of society is at least in part already doing and, indeed, must do?

Too, the easy identification of the businessman as the boss does not seem to be overly logical with far-reaching division of labor and social cooperation. For, in the final analysis, every free agent from office boy to chairman of the board works for the same boss — the consumer. To be sure, the office boy may report to the office manager and the chairman of the board to the board of directors and the stockholders, but all — in-

cluding the "independent" businessman, the man who says he is his own boss — take their ultimate orders from the customer, the quite sovereign consumer.

The customer, as merchant John Wanamaker noted, is always right, ever the final court of appeal. It was Grandfather who, in effect, put the buggy whip manufacturer out of business when he bought a Model T. It was the consumer who made Henry Ford big, who did in the Stanley Steamer and the Stutz Bearcat. It was Mother who did in, economically, the ice man when she bought a refrigerator. It is today's consumer who makes board rooms quake through his purchases and non-purchases. It is through this power of purchase and nonpurchase that democratically the consumer in effect directs business, hires and fires people, and generally puts the nation's resources to work.

Of course, consumer sovereignty as a concept has not been widely accepted by the intellectual who, for that matter, frequently does not also seem to be especially aware of the highly pervasive nature of business. Still the intellectual's criticism of business and businessmen has served at times to correct abuses, to redress needful balances and to maintain humanistic and esthetic values. Unfortunately, the criticism has, on

occasion, also induced so-called "reforms" which have been harmful to the business system — and to the consumer. To take an extreme example, intellectual Karl Marx, who regarded businessmen as inhuman exploiters in the nineteenth century, helped to bring about the Communist Revolution in the twentieth century. On the other hand, in the eighteenth century, intellectual Adam Smith saw the businessman as a creative and vitally necessary member of society, and helped to establish the Industrial Revolution and the capitalistic order which still prevails in the Western world today.

***A Businessman Serves Self
by Serving Others***

I agree with the Smith view and hold the correct image of the businessman is neither that of hero nor villain. Businessmen can be good; they can be bad. They run the gamut of the moral spectrum. Businessmen have founded museums, universities, hospitals, charities, foundations, etc., while serving in their main social function of promoting, organizing, and managing production to create goods and jobs. Some black sheep businessmen, to be sure, have indeed engaged in coercion, theft, and misrepresentation.

So a generalized hero or villain image of the businessman is not, in my judgment, tenable. A good image is tenable, however, because in the construct of the business system it is clearly in the interest of the businessman to give his best to his customers — i. e., to society — or else his competitors will, or his profits will fall. As Adam Smith pointed out, we do not speak to the butcher and the brewer of our need but rather of their advantage.

In any event, I believe the proper image of the businessman is neither that of knave nor knight, villain nor hero. He has a job to do — directly for himself, indirectly for society — and he does it. He is under the social discipline of profit and loss, under the iron rule of the consumer. And he should think well of his calling. For as Alfred North Whitehead spoke of the Great Society before that phrase became fashionable: "A great society is a society in which its men of business think greatly of their functions."⁹ It follows, then, that with a better understanding of the businessman, everybody should have a better image of him — and of business. ♦

⁹ *Adventures of Ideas* (New York, 1933) p. 124.

Of Men

and Not of Law

THE MAIN BURDEN of Lyman A. Garber's *Of Men and Not of Law* (Devin-Adair, \$3.95) is that our courts, led by the Supreme Court of the United States, are setting themselves up as super-legislatures and thus fracturing the tripartite "separation of the powers" that they have been sworn to uphold. The thesis is maintained with some wordiness, but in the semantic jungle in which we have all been scrabbling for certainty since 1933 maybe a lot of words are inevitable. The essential point is that Mr. Garber sustains his case.

Historically, the Supreme Court's usurpations divide themselves into two well-demarcated periods. In the nineteen thirties, when the New Deal was riding high, the Court laid down a number of tortured economic decisions. In the nineteen fifties and sixties, the questionable majority rulings were

sociological in nature. Taken together, the two sets of rulings have virtually nullified the Ninth and Tenth Amendments to the Constitution. Amendment Nine, it may be dimly remembered, reads: "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people." Amendment Ten reads: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

These amendments have been rendered meaningless by the Supreme Court's construction of the Interstate Commerce clause, the General Welfare clause, and the equal rights guarantee of the Fourteenth Amendment. By reading into the Constitution ideas that were never contemplated by the Founding Fathers, the judges

have effectively destroyed the old balance between the states and the Federal government in Washington. That they have done this in the name of morality is no excuse, for to change the law to conform to new canons of morality is the prerogative of the voters, who can always avail themselves of the amending process to accomplish ends that were not originally sanctioned in the Constitution of 1787.

"Nine Old Men"

In 1930, when he was Governor of New York, Franklin Delano Roosevelt said: "Washington must not be encouraged to interfere . . . in the matter of a great number of . . . vital problems of government, such as the conduct of public utilities, of banks, of insurance, of business, of agriculture, of education, of social welfare, and of a dozen other important features." But this was Roosevelt before he had listened to Rexford Tugwell and hired a brains trust. The brains trust consisted of chronic centralizers, and they spawned the Agricultural Adjustment Act of 1933 and the National Recovery Act. Both of these acts were called unconstitutional by the Supreme Court of the "nine old men," who held that Congress does not have the authority to manage business or to delegate the powers of management under the transparent

guise of regulating interstate commerce.

Obstructed in the 1933-36 years by a majority of justices who were well acquainted with the deliberations of Madison, Jefferson, and other Founding Fathers, the New Deal later recreated the AAA by getting a new interpretation that raised the "General Welfare" clause of the Constitution to the rank of a specific power of Congress. The fact that Madison and Jefferson had repeatedly assured the electorate in the thirteen original states that the two words "general welfare" did not override specific provisions of the Constitution was conveniently overlooked by the new Supreme Court justices who had been appointed by 1937.

The words of the Constitution say that "Congress shall have the power to lay and collect taxes . . . to pay the debts and provide for the defense and general welfare of the United States." But never before 1937 had it been seriously held that "general welfare" might be any sum total of particular welfares that an Administration might choose to back in response to the lobbying of pressure groups. The new definition of "general welfare" meant that any "interest" could get anything if it could develop the political muscle to force its attention on Congress as

a deserving body of citizens. It did not matter that the particular welfare of particular groups would have to be paid for by tax levies on citizens who might be seriously injured by the semantic torturing of the General Welfare clause.

"Due Process"

With a new Supreme Court working its verbal magic to define any arbitrarily chosen particular welfare as "general welfare," the decks were cleared for practically anything at all. And once the notion of spending Federal money to subsidize the farmer had been justified under the Welfare clause, the Court followed by ruling in the *Wickard v. Filburn* case that "it is hardly lack of due process for the government to regulate that which it subsidizes." Accordingly, a farmer was penalized for raising wheat beyond a quota set by the Department of Agriculture.

Mr. Garber says that the argument that the wheat was for the sole consumption of the farmer's family and livestock was turned down on the unprovable ground that "if farmer Filburn had not raised his own wheat for his own use, he might conceivably have purchased it from the channels of interstate commerce." Since nobody could possibly know what the farmer might have done in a purely hypothetical case, the Supreme

Court was venturing forth into mind reading, which is something that courts are forbidden under the law of evidence to do. It would have been just as rational for the Supreme Court to decide that a man standing before it might be a murderer because he had been endowed by nature with two hands that were capable of choking someone.

In the fifties and sixties the Supreme Court has taken to reading books on sociology, such as Myrdal's *An American Dilemma*. And, to enforce its sociological predilections, the Court has decided that the states cannot be trusted to run their own affairs in such matters as education and the control of their local election laws. It does not matter that the Federal government itself, with its Senate that gives equal representation to each state, was set up on the analogy of the colonial government of Connecticut, which allowed for geographical unit representation in one of its legislative chambers. In sheer defiance of the historical truth that the states had never contemplated delegating the power to apportion their local legislative districts to the Federal government, the Supreme Court has stepped in to tell the states what they may or may not do about local representation.

This is an absolutely clear case

of judicial usurpation of the legislative power, but the usurpation has been accepted rather apathetically. Senator Dirksen has been trying to rectify matters, but he can't seem to gather enough votes for an amendment that would do nothing more than restore the Constitution to what it was before the Court arbitrarily changed it.

Harmony by Compulsion

Mr. Garber talks about many other cases that involve judicial "legislating." The integration of our school systems may be socially desirable, but Mr. Garber doesn't think the Supreme Court had the right to command it. Whether he is on sound ground here depends on one's feeling about the possibility of maintaining "separate but equal" schools under the old principle of segregation.

The trouble, in any case, is that integration of the schools becomes impossible wherever Caucasians, voting with their feet, move out of our big cities. Mr. Garber remarks that "the main cause of segregated living areas was not the inability of Negroes to move into areas occupied by Caucasians, but the Caucasians moving out . . . many square miles of Northern cities would become integrated every year if just half the Caucasians would stay where they had been living!" ♦

► **YOUR CHURCH — THEIR TARGET**, Edited by Kenneth W. Ingwalson, Better Books (Box 2096, Arlington, Va. 22202), 1966, 275 pp., \$4.50 cloth, \$3.00 paper.

Reviewed by Norman S. Ream

THE GENERAL DRIFT toward socialism in our society has tinged many clergymen with what Ludwig von Mises, doyen of classical economists, calls the "anticapitalistic mentality." But not all, as this book — a symposium by thirteen authors — attests.

During the years of the Great Depression, delegates to the national convention of one major denomination voted a resolution favoring the abolition of the capitalistic system and all the forms which sustain it. Year after year since that time other ecclesiastical bodies have consistently attacked free enterprise, the profit motive, individualism, and private ownership of property. Today, these same voices are almost always found with secular "liberals" urging increased governmental intervention, world government, admission of Red China to the United Nations, a negotiated peace in Vietnam, peaceful co-existence with communism, and so on.

One must not bring a blanket indictment against clergymen and churches, lest he harm the reli-

gious forces which are friendly to economic and political liberty. These constitute the majority of churchmen, who have not, however, been able to make their weight felt. This book is a vehicle for "the other side," and Mr. Ingwolson has done us a great service in bringing together these essays and delineating for us, as his subtitle suggests, "What's Going on in the Protestant Churches." Perhaps of more interest and concern than the situation as it exists today is the illuminating insight one derives from the authors as to how we got where we are. This historical material, it seems to me, is particularly valuable; and very few men have a greater insight and understanding of this process than do Irving Howard, Howard Kershner, and Edmund Opitz—to name but a few of the contributors.

This book should be especially helpful to laymen who find it difficult to understand how and why the churches have become so involved in the political left, and to young theological students and ministers who need to know how the churches have been subverted and used by the socialists and communists.

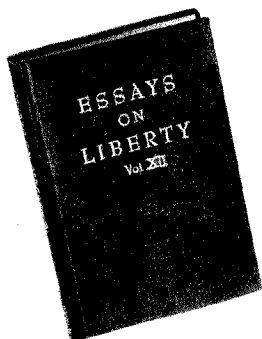
I would quibble with one or two contributors who identify political liberalism with theological liberalism. The two are not logically joined, and, as a matter of fact, some of the best essays in the book are by men who are theologically liberal. But as the editor says in his Introduction, "These men may not always agree with each other on details. Neither will you agree with all they say. But the problem and challenge for laymen and clergymen has been made crystal clear." Amen!



THE FREEMAN on Microfilm

An agreement has been entered with University Microfilms to make available to libraries and others who may be interested current as well as back issues of *The Freeman* since January 1956. Inquiries should be directed to University Microfilms, 313 N. First Street, Ann Arbor, Michigan 48107.

— ESSAYS ON LIBERTY —



This latest volume of the series (448 pages, indexed) contains selected writings from THE FREEMAN and NOTES FROM FEE beginning with May 1964 through April 1965.

Volume XII

49 Essays — 31 Authors
Cloth, \$3.00 Paper, \$2.00

The Set—all 12 volumes

Cloth, \$28.80 per set
Paper, \$19.20 per set

ALSO, NOW AVAILABLE:

Comprehensive cumulative subject-matter, author, and title **INDEX**—covering all 12 volumes in the ESSAYS ON LIBERTY series.

\$1.00

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON ON HUDSON, NEW YORK 10833

I enclose \$_____ for the following:

ESSAYS ON LIBERTY, Vol. XII:

_____ copies, cloth, @ \$3.00

_____ copies, paper, @ \$2.00

ESSAYS ON LIBERTY, Twelve-vol. set:

_____ sets, cloth, @ \$28.80

_____ sets, paper, @ \$19.20

INDEX, covering 12 vols.

_____ copies @ \$1.00

MY NAME _____

STREET _____

CITY, STATE, ZIP CODE _____

THE *Freeman*



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

THE PROPERTY BASE

■ The market, which is the characteristic institution of capitalism, expresses a relationship of buyer and seller. It is, in effect, what results when free choice is applied to the disposition of property — or of what is made with the use of property, by “mixing” labor with it. The comparisons which the market permits lead to the creation of value, which is a compromise of individual judgments. The seller seeks to cover the labor and energy he has expended, plus a profit; the buyer seeks to save himself labor and energy by making an exchange. Two subjectivities meet in an objective price. But behind the creation of value there must be ownership — the right to dispose of a good or a service.

So we come back to property as the base for liberty.

JOHN CHAMBERLAIN, *The Roots of Capitalism*

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE *Freeman*

IDEAS ON LIBERTY

AUGUST 1966

Weakness Corrupts	Paul L. Poirot	3
On Heroes, History, and Our Heritage . . .	Robert M. Thornton	12
The Case for International Investment . . .	Henry Hazlitt	16
A Clergyman Looks at Free Enterprise . . .	Norman S. Ream	26
Some Reflections on Robots	Leonard E. Read	32
The Assault on Free Enterprise	Institute of Directors	41
The Flight from Reality:		
23. The Flight from the Constitution, I . . .	Clarence B. Carson	45
Books:		
Adenauer's Memoirs	John Chamberlain	60
Other Books		63



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



ADAM SMITH vs. KARL MARX

by Joe Crail, President of Coast Federal Savings

A New, FREE Offer

Are the Capitalism and Socialism of today what Smith and Marx had in mind? Read what President Joe Crail says about the men, the systems and his "new prophecy a la Marx."

This important new look at the world's state of affairs is offered free of charge by Coast Federal Savings as part of a continuing program.



CURRENT RATE...

5 $\frac{1}{4}$ %
minimum
on regular
savings accounts

5 $\frac{1}{2}$ %
systematic savings—
and on 3 year accounts
of \$5,000 to \$9,000 in
multiples of \$1,000

5 $\frac{3}{4}$ %
on 3 year accounts
of \$10,000 or more
in multiples
of \$1,000

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

COAST FEDERAL SAVINGS & LOAN ASSOCIATION

Department FM, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of President Crail's "Adam Smith vs. Karl Marx" speech.

NAME(S) _____
(please print)

- ☐ I enclose my check (or money order) for \$ _____

Please open a Coast Federal Savings account

STREET _____

- ☐ Individual ☐ Joint

in the name(s) of CITY _____ STATE _____

- ✓ Indiscriminate bombing with Federal Aid in the War on Poverty victimizes those who most need to know how to help themselves p. 3
- ✓ The heroic stand of stalwart men pervades our history and constitutes our heritage — lest we forget p. 12
- ✓ Henry Hazlitt rests his case for international investment on the forces of the market rather than the vagaries of intergovernmental alliances and political chance p. 16
- ✓ The Reverend Norman S. Ream spells out his faith in free enterprise, among free men, under God p. 26
- ✓ Those robots of automation, so widely held as causing unemployment, can be a boon to those who understand and use them wisely, contends Leonard Read p. 32
- ✓ From Britain's Institute of Directors comes a timely warning of the dangers of government interference in business matters p. 41
- ✓ Getting back to the Constitution, as Professor Carson suggests in this chapter, calls for a renewed understanding of the reasons for limiting governmental powers p. 45
- ✓ In Konrad Adenauer's **Memoirs 1945-53**, John Chamberlain finds the spiritual, economic, and political foundations for the "German miracle" p. 60
- ✓ And Robert Thornton delights in Russell Kirk's commentaries on **The Intemperate Professor and Other Cultural Splenetics** p. 63

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

THE *Freeman*

AUGUST 1966

Vol. 16, No. 8

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

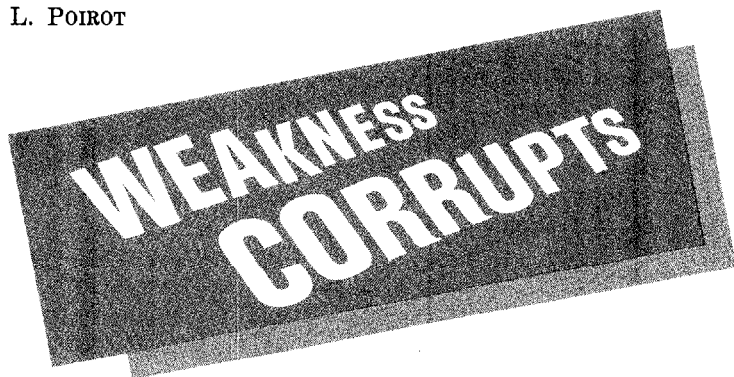
Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Case for International Investment" and "The Flight from Reality."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.



THE CURRENT CAMPAIGN in the war on poverty might be waged more successfully had Lord Acton devoted less attention to the corrupting influence of power and recognized that weakness also tends to corrupt and absolute weakness corrupts absolutely.

Is that not the lesson of the parable of the talents? The wicked and slothful servant did nothing constructive with the property entrusted to his care; whereupon, the property was transferred to the good and faithful servant whose capacity for stewardship had been proven. There is war on poverty — with a vengeance! But many will doubt the justice and humanity of transferring property from the least efficient to the more efficient users of it. Instead, they would propose a negative income tax, for the

more equitable distribution of wealth. In their zeal for equality of material possessions, they stumble over the basic flaw of the communist idea — the destruction of the incentive for anyone to develop and use his talents more constructively. They cater to man's weakness rather than his strength, failing to see that hatred, greed, envy, and similar weaknesses are the most corrupting vices of all.

Individuals are not equally endowed nor do they develop their talents at the same pace — each is an individual, with his own scale of values, wants, satisfactions. Essentially, there are but two ways in which a person may implement his choices. One is through production and willing exchange, earning power converted to purchasing power in the open competition of a market place policed

to the extent necessary to protect life and property and keep the peace. The alternative method of implementing choices is through the physical or political power of coercing others to obey and serve, with government perverted into an instrument of plunder.

Reliance on the Market

Most of us are fully aware that it is morally wrong to murder, rob, cheat, and lie to one another to get what we want. When we seek employment, we instinctively look first to the most successful business managers, savers, creators of job opportunities. Likewise, in our shopping for bargains, we tend to buy from the most efficient, most successful suppliers, rewarding with handsome profits those who best serve our wants. The market measures a man by what he does with his own resources. Each man more or less chooses and is responsible for his market position, relative to that of other self-choosing and self-responsible individuals. Day after day we depend upon our purchasing power and the method of willing exchange to implement our choices; and we ought to be aware that this market method serves us well.

But the market is not the sole determinant of each man's economic status, there also being "peo-

ple control" through political action. To the extent that government negates the individual's choice, it also renders him irresponsible. True, the protective services of government may be designed and may indeed help to curb irresponsible actions of certain individuals, with a resultant net gain in the total voluntary activity of all persons in the market place. This is man's hope and expectation of a government confined to keeping the peace.

Nevertheless, nearly every person of restricted means, low income, limited purchasing power can be tempted to see an advantage to himself of redistributing all incomes higher than his own. The idea of Federal aid, the negative-income-tax proposal of taking from the rich to help the poor, finds popular support. Without thought for the consequences, we turn over the power of taxation to those who lack purchasing power. Thus, the market is wrecked and abandoned, and coercion substituted as a new way of life, when we allow our weaknesses to corrupt us.

The simplest application of logic ought to tell us that a weak person cannot force a stronger person to help him. So, it should be self-evident that turning from the voluntary method to the coercive method of fulfilling wants can

only work to the disadvantage of the weak and poor among us.

Subsidy and Taxation

Government control, aside from its defensive role of keeping the peace, may be summarized under two general headings: subsidy and taxation.

That "the power to tax is the power to destroy" seems so clear and obvious, one hesitates to discuss the matter further. Yet, it must be recognized that a government without the power to collect taxes is also powerless to do anything else. If government is to preserve the peace, it must be able to collect taxes enough to pay for that service. If government is to protect life and property, it must have sufficient claim upon lives and property to give the necessary protection. But, the fact that any government does involve claims upon the lives and the property of the citizenry is the all-important reason why the scope of government should be limited. An unlimited power to destroy those under its influence is more "protection" than anyone can afford. To be defended to the end of one's resources, and then to death, is of no avail. The power to tax is indeed the power to destroy.

While most of us can see the harmful or dangerous aspects of the power of taxation, we may see

less clearly the nature and impact of the governmental power to subsidize. Yet, the power to subsidize also is the power to destroy. Nor is the destructive effect confined to those whose lives and property are taxed away to obtain the means for subsidies to others. The recipient of unearned goods or services may sadly discover the truth of the expression that "one man's meat is another's poison," for there is no surer way to destroy a man than to assume the responsibility for his well-being.

Even the most altruistic voluntary act of charity is capable of lasting harm to the intended beneficiary if it in the smallest degree diminishes his will or capacity to help himself. Rare indeed is the individual with sufficient strength of character to accept unearned assistance and not be tempted to ask for more. And strength of character is not a notable quality among those most likely to be found on the receiving line for a handout.

Specific Programs Examined

A more careful examination of some specific governmental welfare programs may help expose the futility of such coercive measures to alleviate poverty.

Unemployment compensation, for example, supposedly is in-

tended to help overcome the lack of employment opportunities for persons whose livelihood depends upon the sale of their services. The problem of the unemployed is that their services are not worth the price they are asking in the current market; no employer can see a chance for profit at such wage rates; his resources may better be used to obtain labor-saving equipment or devoted to some other purpose he has in mind. But, to make matters worse, the unemployment compensation program constitutes a coercive drain upon an employer's resources. All other taxes upon his business or his earnings similarly reduce his incentive and capacity to provide job opportunities at attractive wage rates and to produce goods and services at prices attractive to consumers. The heavier the tax load upon the most efficient and successful business entrepreneurs, the less chance there will be for the least skilled workers to find jobs or to purchase food, shelter, clothing, and other necessities at prices they can afford. The poor, rather than the wealthy, are the ones with most to lose when coercion displaces willing exchange.

Social security, medicare, and various other welfare programs are closely related to the unem-

ployment compensation idea and similarly disrupt the free flow of goods and services between suppliers and consumers. The combined old age, disability, and medicare tax is supposed to level off in due course at 11.3 per cent of a person's wages up to \$6,600, which comes to a tidy \$746 a year. That would be the equivalent of a 5 per cent return on a capital investment of about \$15,000. If a person began investing \$746 a year at age 21, with earnings of 5 per cent compounded annually, he would have accumulated \$15,000 before age 36, \$30,000 by age 44, \$115,000 by age 65. A 5 per cent return on \$115,000 would yield \$5,750 a year — without eating into the principal.

It is recognized, of course, that some wage earners will accumulate private savings and invest in productive enterprises in spite of the heavy burden of social security and other taxes, whereas others would save nothing even if relieved of all tax liabilities. Some individuals tend to be more thrifty and self-responsible than others. Be that as it may, the fact remains that the presently scheduled social security tax deprives the individual of the opportunity to save and invest up to 11.3 per cent of his earnings, which could accumulate to as much as \$115,000, and possibly more, by the

time he had reached age 65. This compulsory seizure of potential savings, for current redistribution among consumers, deprives individuals and the economy generally of the capital that could create more and better job opportunities for all working men and women. And the greatest disservice of this entire procedure is to the poorest and the least productive members of society who so need additional tools and equipment and other facilities to improve their productivity.

True social security may be approached when individuals generally, and voters especially, begin to understand that savings and investment and the prerogatives of ownership are best left in the hands of those whom consumers have rewarded and designated as the most efficient and generous suppliers of the goods and services people want. To tax and confiscate property and savings is to frustrate the choices of consumers; and the first and sharpest cutback in productivity is of those very items that had been most abundantly mass produced — for the masses.

Tax-supported education has been promulgated and widely accepted in theory as a great equalizer, not only at the elementary and secondary school levels, but

more and more at the college level, and even for graduate studies.

When a high proportion of the population of a nation is able to read and write, it may be argued convincingly that illiteracy is a handicap and that everyone should have the opportunity to learn these skills in order that he may become a better citizen and a self-responsible, contributing member of society rather than a hopeless burden to himself and to others. At least, some such rationale lay behind the first steps toward government schools in the United States — elementary schools, operating at the community level.

People can be helped, even compelled, to learn to read and write. But not all who can *will* read or write; not every opportunity extended is accepted; not everyone relieved of self-responsibility seizes upon the situation as an opportunity to grow in ability and responsibility. Indeed, nothing but the precise opposite may be inferred from the sorry record of the consequences of government education in the United States. Never before in the history of civilization have so many literate citizens deemed and decreed themselves incapable of self-support as in the United States of America in 1966. There is no evidence whatsoever that compelling a person to learn to read and write will

sharpen the sense of self-responsibility within him.

Furthermore, when all have learned to read and write, some will read and write more wisely than others and develop talents that others neglect. And eventually, high school diplomas and college degrees will be required — are being required — of applicants for jobs of the type formerly fulfilled respectably by illiterates. This may be one of the reasons why major universities in the United States now look to Washington for 40 and 50 per cent and more of their total budgets. And those who are obliged to pay the costs of education, from the community grade schools of country-club atmosphere to the tax-supported centers for graduate study, are the poor taxpayers presumed capable of and willing to educate everybody's children but their own.

After tiny tots have been jogged about town in yellow buses, through red and green lights until they no longer are able to distinguish black from white, they may proceed to express themselves concerning national and international problems until free lunch is served; and some eventually may learn to read and write — with reading machines and automatic typewriters. Whether the student dropout from such a curriculum is intellectually inferior to the one

who carries on and graduates is a nice question that cannot be resolved by any of the theories and practices of the system of compulsory schooling. Is the one any better trained than the other to demonstrate his animal nature in the streets or otherwise express the civil disobedience that passes for maturity according to the formula of personal irresponsibility? Nor should anyone be surprised that the heaviest current governmental expenditures for higher education are devoted to research and development for occupation of the moon!

Urban Renewal plans and practices may afford the best illustration of all the misguided campaigns in the war on poverty. If anyone can be found living in sub-standard housing or other slum conditions, no matter that he is conscientiously doing his best to live within his means while striving to help himself toward something better. Root him out, and force him to find a home he cannot afford in a community with public services and tax rates tailored for those in high-income brackets.

Government is organized intolerance; and there is nothing wrong with such intolerance leveled against those criminal acts by individuals who disturb the peace and jeopardize the life and

property of others who are minding their own business. The most deplorable kind of intolerance is that evidenced by the "humanitarian with the guillotine," the well-intended reformer armed with the power of eminent domain and the full force of government to simply wipe out all signs of poverty and suffering, including the individuals so afflicted.

The free market economy is tolerant of differences in human wants and capacities, leaving the individual free to fill his needs according to his abilities—to draw supplies from the market in proportion to his own offer-and-delivery of goods and services. It affords each person the maximum incentive and opportunity to help himself, which, in the final analysis, is the only kind of help that does not carry the prospect of greater harm than good to the intended beneficiary.

A strong case can be made, and has been made on numerous occasions by countless individuals, concerning the immorality of forcefully taking the property of the more provident and thrifty citizenry for redistribution in one form or another among the poor. But far too little attention has been paid by anyone to the immorality and injustice of thus depriving those poor persons of the opportunity to experience the

reality of cause and consequence, effort and reward, method and results. To feed and clothe and house and surround a man's body with other physical comforts beyond the capacity of his mind to appreciate and earn and cope with these material blessings is to deprive him of the opportunity of ever rising above the level of a domesticated animal. No greater injury can be inflicted on any man than to "save" him from earning his own way. The benevolent government that taxes the rich also robs the poor at the same time, taking from one his property, from the other his human dignity. When it is recognized that the important part of urban renewal must take place within the minds and souls of human beings, it may be seen that the coercive force of government can play no constructive role in this do-it-yourself project of mental and moral achievement.

Transport subsidies, ranging from below-cost subway and commuter fares to the underwriting of luxury liners and plush air travel, generally tend to transfer property by force to those who can afford to travel from those who can't.

There are economic as well as other reasons why the poorer members of a community tend to

congregate and crowd together in what seem to be the rundown tenements and slums near the heart of an urban industrial area. There is the inexpensive, second-hand housing they can afford near to their places of work, with older and unadorned but nonetheless adequate schools and other service and shopping facilities within their reach and means. Those persons with ambition always have managed to help themselves out of such crowded areas if they really wanted to leave, thus making room for others on their way up the economic ladder. The market, comprised of individuals each minding his own business, is tolerant of such arrangements.

There are persons, however, especially among the new rich recently moved to Suburbia, who have failed to understand the market method of progress and who see no further need for those less elegant and lower rungs in the economic structure. By taxation, subsidy, and force, they would abolish slums, displace with orderly empty space what once were homes and shops and service centers and sources of livelihood for emergent, self-reliant human beings. Then in the name of the displaced poor, but more obviously in their own interest, the new suburbanites clamor for subsidized subway fares, subsidized com-

muter services, subsidized freeways and parking space, subsidized correctives for the destruction they have promulgated in the name of renewal and progress. And the inevitable workings of the process of taxation, however steeply graduated to soak the rich, are such that each dollar of return on investment capital thus withdrawn from the market place of productive enterprise means something like six dollars of wages never earned and never paid.¹ The ones who finally pay, and pay dearly, for every dollar politically diverted to the "war on poverty" are the poor workers who so need the freedom of the market place in order to help themselves.

Foreign aid to undeveloped countries will be our final example here of the miscarriage of justice in the political war on poverty.

Bad enough that every item assembled for give-away by the donor government, whether it be food and other necessities or the most elaborate kind of capital equipment, is ultimately at the expense of those of our own citi-

¹ In the highly industrialized United States over recent years, about 85 per cent of personal income has been in the form of pay for work done currently and 15 per cent as pay to savers who provide tools and job opportunities. See F. A. Harper, *Why Wages Rise* (Irvington, N. Y.: Foundation for Economic Education) pp. 19-27.

zens most in need of cheap food, clothing, and shelter and most in need of the additional capital that makes for improved job opportunities and working conditions. It always is the poor who pay most dearly for goods and services their government withdraws from the domestic market in which they are trying to earn their livelihood. Persons of means, by bidding enough, can always obtain portions of what remains for sale after government has forcibly taken "its share" of scarce resources.

But worse than these domestic injustices of intergovernmental give-away programs is the impact of such measures upon the individuals supposed to be helped in the recipient countries. Theirs is primarily a problem of too much regulation and control by their own government, too little freedom and incentive to assume personal responsibility for additional production, saving, and investment. Yet, there is no record nor even the slightest hint of any attempt to put foreign-aid funds anywhere except at the disposition of the government of the recipient nation. Thus are these already authoritarian and dictatorial governments sustained and bolstered in their power to regulate and control the lives of their citizen subjects.

Nor does it customarily make very much difference in what form the foreign-aid goods and services are originally transmitted from one government to the other. Let us say that boatloads of food grains are intended to stave off starvation among the teeming millions of India—a million dollars worth of food. The immediate consequence is that the power of the interventionist government of India is bolstered by that amount. It has an additional million dollars worth of patronage to distribute among its lackeys and favorites. And the probability that a starving Indian may receive some of the foreign-aid food will depend upon how much of it he can afford to buy in the black market.

Many persons, of course, will be quick to condemn the marketeers who would thus profit from traffic in the necessities of life. On the contrary, the role of the black marketeers is the most constructive of any played in the entire foreign-aid procedure. The great injustice is done by those governmental enthusiasts who would deny the functioning of the market in the allocation of scarce resources.

A More Hopeful Approach

In questioning and criticizing the conduct of the current campaign against poverty I have tried

to suggest what seems to me a more hopeful strategy. Two things, I believe, are necessary to make of any community the most prosperous economic and cultural garden spot of the world:

First, and most essential, is to populate it with individuals in whom flows the spirit and understanding and practice of liberty. Due respect for life, liberty, and property under the rules of peaceful exchange among self-reliant, self-responsible, self-respecting human beings would seem to rest upon a faith that this is God's world, a humility that we are creatures, and a tolerance toward fellow men peacefully participating as we ourselves aspire to do in the infinite process of the Creation.

Second, though supplemental to the first, is to relieve that community of every form of government aid and subsidy and at the same time relieve it of all tax burdens, regulations, interventions, and controls other than those necessary and strictly limited to its own internal policing and its defense against foreign attack.

And the mottoes above the open gates of such a free society would read:

POWER CORRUPTS—
AND SO DOES WEAKNESS

and

JUSTICE FOR ALL—
SPECIAL PRIVILEGE
FOR NONE

ON HEROES, HISTORY, AND OUR HERITAGE

ROBERT M. THORNTON

"IN TIMES of insecurity when the foundations of life are severely shaken," says Bernhard W. Anderson, "men often turn to the past to gain perspective. In our time, for instance, the world crisis has stimulated an intensive study of

the past and the tradition in which we stand."

Our age surely qualifies as a time of insecurity so it is likely that more and more thoughtful people will, as Anderson says, turn to the past to examine their heritage. Thus, the renewed interest in the most important of the Founding

Mr. Thornton is a businessman in Covington, Kentucky.

Fathers: Washington, Franklin, John Adams, Jefferson, Madison, and Hamilton. All have their critics, to be sure, but they have not been forgotten in the nearly two hundred years that have passed since this nation was founded. We may wish to discover what makes them great, what sets them apart from others who lived in their time.

But while we want to know what made the Founding Fathers great, few of us are interested in reading anything that treats them as plaster saints. We need to know each one's personality with all its shortcomings, that is to say, we need to treat them as human beings, for only in that way may we appreciate their greatness, only so can they serve as inspiration and challenge to us. To proclaim perfection for these men is, as Douglas Southall Freeman has explained, to deny growth. Paul Wilstach speaks of a need to "balance their noble qualities as great characters with their amiabilities as fellow human beings." We can best understand persons of the past, suggested Albert Jay Nock, if we think of them as men and women much like ourselves with twenty-four hours a day to get through as best they could. The need, in brief, is to humanize the Founding Fathers without de-meaning them.

But, it might be asked, are there really persons who may fairly be called heroes—for instance, persons who overcome their fear and risk their lives for others or persons who stick by their beliefs in the face of strong opposition or temptations? Some "intellectuals" go so far as to say there are no heroes since *all* of us are mere products of determining forces — biological, psychological, and environmental — over which we have no control; hence, we are little more than robots doing, not what we choose to do, but what these forces make us do. Granted, if the nature of man is such that he can *not* make free choices and can *not* act from disinterested motives and can *not* do what he knows he *ought* to do regardless of what he *wants* to do, it is futile to argue whether at certain times, say, during the period when America became an independent nation, particular men risked "their lives, their fortunes, and their sacred honor" out of love of principles. If, on the other hand, man is *not* a helpless pawn and *can* act disinterestedly, then we can investigate to learn *if*, for instance, the Founding Fathers were guided by principles and ideals or *only* by selfish motives disguised as a love of liberty. How the acts of the Founding Fathers will be interpreted depends, then,

not only on historical knowledge and understanding, but also on the view of the nature of man that is implicit in any work of history.

It is not unexpected that a *mass* society derogates the value and relevance of *individual* action; hence the "debunking" and disregard of our national heroes. But in diminishing our forebears we diminish rather than exalt ourselves. In demeaning the motives of the great Founding Fathers we compromise our own character as free and responsible men. And it is hardly right to live off the fruits of their commitments while insisting they were either unaware of what they were doing or were moved by motives different from those they professed.

It is fruitless, anyway, for "intellectuals" to say there are no heroes because most persons, especially youngsters, will have their heroes—like it or not. The real question is *who* will be the heroes to look up to and emulate. Daniel Boorstin has observed the modern-day worship, not of heroes but of celebrities. "The hero was distinguished by his achievement; the celebrity by his image or trademark. The hero created himself; the celebrity is created by the media. The hero was a big man; the celebrity is a big name." These new-model "heroes" are no longer "external sources which fill

us with purpose" but "receptacles into which we pour our own purposelessness." "The hero," he goes on to say, "is made by folklore, sacred texts, and history books, but the celebrity is the creature of gossip, of public opinion, of magazines, newspapers, and the ephemeral images of movie and television screen. The passage of time, which creates and establishes the hero, destroys the celebrity." Perhaps, remarks Boorstin wisely, "our ancestors were right in connecting the very idea of human greatness with belief in God. Perhaps man cannot make himself. Perhaps heroes are born and not made."

Our generation, in its worship of the present, scoffs at history as dull and unimportant; a cocky bunch, we fail to appreciate that only if we know where the road we travel came from can we know where it will take us. We fail, too, to understand that all of us, even the greatest, stand on the shoulders of those who came before. Man, Renan has said, does not improvise himself. Likewise, American society in the middle of the twentieth century did not suddenly spring into existence, and the spiritual and material blessings enjoyed by Americans today would not be ours if those who preceded us had shirked their responsibilities to future genera-

tions as we are guilty of doing today. A true community, after all, is much more than just a group of people living at a particular moment; it is, if you will, a spiritual body including those who have gone before and those yet to be born.

Written history, explains Page Smith, is "the effort to pass on to the sons the wisdom of the fathers, and thus to preserve, rather than destroy, the continuity between generations." History thus defined will help the individual to discover his identity, for an essential part of that identity is found in the story of his past — his "collective autobiography." To destroy the links with the past and live simply in the present, he continues, is to leave oneself at the mercy of neuroses, so common in the present day. Great history, writes Smith, is "the history that has commanded men's minds and hearts, [history] with a story to tell that illuminates the truth of the human situation, that lifts spirits and projects new potentialities." For the historian himself the important thing is not to seek a cold objectivity but rather "to conceive of his task as one of sympathetic understanding of his subject, a matter of attachment rather than detachment, of love rather than aloofness." History, Maritain has said, "is not a prob-

lem to be solved, but a mystery to be looked at. . . ."

Many readers will recognize the above-mentioned ideas on history as conservative, not radical or "liberal," for the underlying premise of this concept of American history is that there is something to conserve, a heritage to treasure and to pass on to our posterity. There is, indeed; and our tradition, to put it briefly, is liberty. As Clarence Carson has demonstrated, ours is *not* a revolutionary tradition but a "tradition of individualism, voluntarism, constitutionalism, representative government, government by law, equality before the law, recognition of moral order in the universe, natural rights, and personal independence." ♦

Authors cited:

B. W. Anderson, *Understanding the Old Testament*. Englewood Cliffs, New Jersey: Prentice-Hall, 1957, p. 288.

Paul Wiltach, *Patriots Off Their Pedestals*. Indianapolis: Bobbs-Merrill Co., 1927, p. 15.

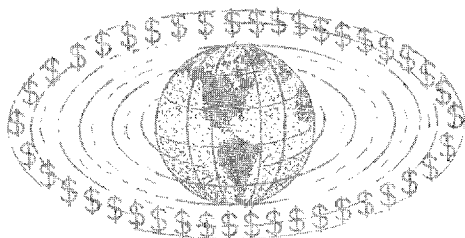
Daniel Boorstin, *The Image: A Guide to Pseudo-Events in America*. New York: Harper Colophon Books, 1964, pp. 61, 63, 76.

Page Smith, *The Historian and History*. New York: Knopf, 1964, pp. 130, 142, 155, 206, 245, 248.

Jacques Maritain, *University Bookman*, Winter, 1966, p. 32.

Clarence B. Carson, *The American Tradition*. Irvington, New York: Foundation for Economic Education, 1964, pp. 26, 27.

HENRY HAZLITT



The Case for International Investment

• *This article by the well-known economic journalist and author is reprinted by permission from the February 12, 1966 special 75th anniversary edition of Farmand, oldest business journal in Scandinavia, published in Oslo.*

Dr. Trygve J. B. Hoff, 70 last November and editor of Farmand since 1935, has won friends around the world with his staunch and undeviating stand for a society characterized by law and order, freedom, and respect for the individual and the dignity of man.

Henry Hazlitt is one of the several members of the Mont Pelerin Society contributing articles on various aspects of business and economics to this commemorative issue of Farmand.

Copies of the 240-page anniversary edition, in English, at \$1.50 each, may be ordered direct from Farmand, Roald Amundsensgt. 1, Oslo 1, Norway.

THE CASE for American investment in Europe is simply part of the case for international investment. The case for international investment, in turn, is simply part of the case for all investment, international or domestic. And the case for freedom of investment is simply the case for free trade, for free enterprise, for economic liberty — and for world-wide economic cooperation.

Lending and investment, when wisely made, benefit both the lender and the borrower. Let us look at domestic investment first, where fewer prejudices are likely to be involved. Investment benefits the lender, of course, by giving him a return on his capital in the form of either interest or profit. He tries to get the highest return on his investment consonant with safety. Investment benefits the borrower as well. If it is a fixed-rate investment, in the form of a loan, a mortgage, or bonds, it gives the borrowing entrepreneur the capital he needs for his venture. If his venture is successful, he can pay off the amount borrowed and expand his operations with his own capital accumulated from his profits.

If the investor and the entrepreneur are different people, both share in the gain. If the investor

and the entrepreneur is the same person, and he is competent and successful, he provides consumers with some product they want that they have not previously been getting; or he provides them with a better quality of it; or he provides them with more of it, and probably at a lower price. So he benefits consumers. In addition, he either provides more employment or, if there has already been full employment in the locality of his plant, he tends to raise the level of wages there.

And this mutual benefit applies, of course, to international investment. A new foreign venture (like a new domestic venture in a given locality), particularly if it is successful, may hurt less efficient domestic (or foreign) producers already in the field. But it will do so only because it is producing a better quality product or selling it at a lower price. In other words, it will do so only because it is more effectively meeting the needs or wants of consumers in the country in which the investment is made.

Moreover, however regrettable its short-run effects may be on a particular domestic industry, the long-run effects of the new foreign venture are bound to be beneficial. For it will either force the do-

mestic industry to become more efficient (and so to serve domestic consumers better), or it will force entrepreneurs in that industry, and new entrepreneurs coming along, to turn to products in which they are at least as efficient as, or even more efficient than, the foreign entrepreneur.

In short, the case for freedom of international investment, the case for the free flow of funds, is the same as the case for freedom of international trade, for the free flow of goods. The country that permits the free flow of funds and goods will have more goods and services. It will become more efficient and productive. In brief, it will become wealthier and stronger.

Those who wish to put barriers in the way of international investment are confused by the same fallacies as those who wish to put barriers in the way of international trade.

It seems pretty late in the day to have to refute these fallacies. They have already been refuted hundreds of times, brilliantly and completely, by the classical economists and their successors.

Why Fear the Supplier?

I will digress at this point only to mention one of these fallacies, because it leads to a false fear that still has a strong popular

hold. This is that if a foreign country, say the United States, is allowed to "invade" the markets of other countries with its capital as well as its final products, it will be able to produce *everything* more efficiently than its European competition, and so destroy European industry. (I'd like to call attention here to the use of such war terms as "invade," or such natural disaster terms as "flood" or "inundate," to which protectionists habitually resort.)

All such fears are, of course, entirely groundless. They have not only been refuted by the whole course of history; they are not only refuted afresh every month by the most casual study of the statistics of imports and exports; but they are refuted *a priori* by elementary deductive reasoning. Ricardo refuted them once for all when he enunciated his law of comparative costs. But it should be obvious to the most backward mind that in the long run a country can only pay for its imports with its exports, and that the extent of the one both makes possible and limits the extent of the other. In the long run a nation cannot expand exports without expanding imports; and it cannot discourage and restrict imports without correspondingly discouraging and restricting its exports.

Trade always balances, when

governments let it alone, for the simple reason that exporters insist on getting paid for what they sell.

In the last few years all of us have been chattering learnedly about deficits in the balance of payments. But such deficits, when persistent, are always the result of unsound monetary and fiscal policies and interventions on the part of governments. Typically, a government inflates its currency faster than its neighbors, and then artificially supports its currency quotation in the foreign exchange market. But we'll return to this later.

Americans in Europe

To my short exposition of the two-sided advantages of international investment in general I should like to say a word about the particular two-sided advantages at this time of American investment in Europe.

The advantage to American investors and American firms is obvious. American investors expect to get a higher return on their investment than they could get at home. American firms open up new markets for their products, and at least at the beginning realize a higher rate of profit on them than they would by trying to achieve a further saturation of their markets at home. But the

advantages to Europe are enormous.

The world today is in the midst of a great technological revolution, which will probably transform the face of the world even more than did the Industrial Revolution of the late eighteenth and early nineteenth centuries. This technological revolution, of course, typified by electronics, computers, automation, is merely an accelerating continuance of the Industrial Revolution.

From the producer's point of view, an enormous amount of money will be made in this technological revolution. To exploit it effectively requires know-how, big markets, and huge amounts of capital. Now America has these huge amounts of capital, and it has the know-how largely because it has the capital. It is, in fact, the chief source of capital creation today. It has been spending huge amounts of capital on research and development, far beyond what European countries have spent or are able to spend. An idea of the contrast was given by the French weekly *L'Economie* in an estimate early last year that whereas France spends less than 6 billion francs a year on scientific research, the United States spends 100 billion—an amount, it adds, three times as great as that of all European countries together. The

estimate given in *L'Economie* for the United States agrees fairly well with the best American estimates, derived from figures published by the National Science Foundation. These estimates place United States expenditure for research and development last year at \$22.1 billion, of which \$15.5 billion represents government expenditure and \$6.1 billion private expenditure.

Europe, prosperous though it now is, and expanding economically as rapidly as it now is, just hasn't got the comparable capital to spend on research and development. Nor is it producing it at a rate fast enough to finance the technological revolution to take full advantage of it. It needs capital from the United States; and it needs to import the advanced plants, equipment, and productive methods that have been developed by this research.

Yet the irony of the present situation is that though private American investment in Europe benefits both Americans and Europeans, both the American government and some European governments fear and distrust it, and both are busy putting obstacles in its way.

European Government Objections

Let us disregard why the U. S. authorities fear and dislike the

outflow of American capital and turn to the reasons why some European authorities fear or dislike its *inflow*. It is in France, by the de Gaulle government, that the reasons for this distrust have been most clearly expressed.

At a press conference on February 4, 1965, President de Gaulle complained that the United States, in effect, was buying up European firms with Europe's own money. This accusation is so peculiar that I prefer to quote de Gaulle's exact words (that is, in English, in the official translation):

He began by pointing out that, because of the gold exchange standard, the United States is not required to settle its payments deficits in gold. He then went on:

"In other words, capital was created in America, by means of what must be called inflation, which in the form of dollar loans granted to States or to individuals, is exported outside.

"As, even in the United States, the increase in fiduciary currency which results as a side effect makes investments at home less profitable, there is a growing tendency in the United States to invest abroad. The result for certain countries is a sort of expropriation of some of their business firms."

Some Americans have been tempted to reply that this sounds ungrateful coming from a country

into which we have poured some \$10 billion or \$11 billion of aid. But this is beside the point. We must admit in all candor that de Gaulle is right in attributing part of the amount of our recent capital export to our own inflation and artificially low interest rates. At first glance, also, his charge that U. S. firms have been in effect buying out European firms with the deficit in the American balance of payments looks like a serious one. Yet there is no "expropriation" involved. Where European firms have been bought up they have been paid for with real dollars, with real money. And when European firms accept these dollars, and European central banks buy them and hold on to them for their reserves, these are (for the most part) voluntary decisions. European central banks always have the legal right to demand gold for their dollars, whether or not the American monetary managers would be happy about their decision.

I come next to the charges of President de Gaulle and others that the United States is exporting part of its inflation to Europe. It may be so; but I should like to point out that Europe is not forced to import it. Even if it takes and holds dollars, and even if these end up as additional reserves in its central banks, no country is

under any obligation to issue a new pyramid of its own credit or currency against these paper dollars. It can simply use them to strengthen its reserves and increase its reserve ratio.

When Europe imports dollars from the United States it is not importing inflation; it is merely importing temptation. It is up to the monetary authorities of each country to decide what to do with the dollars.

Domination

I come to the next charge against American investment in Europe, a charge that is again mainly heard in France. This is that the "invasion" of American corporations in Europe carries with it the threat of "domination" of the European economy.

How real is this threat? An article in the French weekly *L'Economie* of February 12 of last year pointed out that American investments in France represent barely 2 per cent of that country's gross national product. Yet what has caused concern, the article continued, is that this investment is concentrated in certain key-sectors of the French economy. And it went on to describe the situation in the petroleum and chemical industries, in mechanical and electrical engineering, and in electronics.

But the charge of "domination" may mean either of two things. It may mean merely that a foreign company enjoys an uncomfortably large proportion of the market for a specific product. This may not be satisfactory to the French producers; but it indicates that a large number of French consumers prefer it to the product of their domestic companies. And this competition is a stimulus to the French manufacturers to improve their product.

But the charge of "domination" may imply something more serious — that the American-owned companies would have too much to say about the economic decisions of the government of the countries in which they were located. I can only say that I regard this outcome as wholly improbable. The government of any country, not riddled by corruption, seldom has difficulty in exercising its sovereignty over any foreign-owned corporation. The real danger is the other way round. The foreign-owned company puts itself at the mercy of the government of the host country. Its capital in the form of buildings, equipment, and even bank deposits may be trapped. In the last twenty-five years, as American oil companies and others in Asia and South America have found to their sorrow, the dangers of discrimina-

tory labor legislation, or discriminatory taxation, or even expropriation, are very real.

Americanization

I come to one last reason for opposition to American investment in Europe — the fear of "Americanization." This is a little more difficult to deal with than some of those I have just reviewed. But "Americanization," it seems to me, may refer to several rather distinct things. It may refer to an increase in some of the conveniences, comforts, and luxuries of life — more and better bathtubs, lavatories, showers, and toilets, more supermarkets and drugstores, more radios, television sets, and automobiles. Few people — whether Americans, Europeans, Asians, or Africans — who are in a position to get these things for themselves have any objection to them.

The real objection to some of them — like automobiles — is that with advancing prosperity too many *other* people are also in position to get hold of them, and then their mere multiplication results in traffic jams that make each individual car less useful to its owner. I am willing to confess that I have no solution to offer to this problem.

The word "Americanization," however, may be used to refer to

certain spiritual and cultural changes — or, rather, I suppose I should say, to certain antispiritual and anticultural changes — to the increasing pursuit of merely material ends, to a restless increase in the pace of both business and pleasure-seeking, to the vulgarization typified by advertising billboards, jukeboxes, and the commercialization of every phase of life.

I should be the last to want to defend all this. But I should like to point out that this is a development well within the control of Europeans themselves. It is perhaps temporarily inevitable when the income of the masses grows faster than opportunities for their education and the cultivation of their tastes. But increased prosperity does not necessarily lead to increased vulgarization and materialism. I have been impressed in the last ten years by the remarkable growth in the United States in the appreciation of serious music, the reading of serious literature, and the interest in science and in the fine arts as reflected in the sales of good records and good paperback books and the attendance at art galleries.

Why U. S. Corporations Invest

I come finally to the question: What reasons induce American corporations to invest abroad and

what reasons deter them from doing so?

Of course the primary reason that an American corporation invests abroad is to make a profit. This consideration is not absolute but relative. It depends upon the alternatives. The corporation goes where it expects to make a greater profit (in relation to the risks) than it can by expanding at home or by investing or expanding further in some other country.

Of course a multiplicity of considerations affect this expectation. The corporation must decide whether it is better to build a new plant from the ground up or begin by acquiring some existing European concern. It must decide whether it wants its subsidiary to be wholly owned or whether to make its investment a joint venture with nationals of the host country. The wisdom of all such decisions depends on the special circumstances in each case. Given the opportunity for profit, the most common moving forces for overseas investment are the desire to maintain or expand sales by entering a new market, or the hope of preserving an established market in the face of tariff, exchange, or unofficial barriers. American corporations have invested in the Common Market area or even in the European Free Trade Area because these areas are protectionist

against outsiders. Another reason Americans may invest in a foreign market is because it may be possible or easier from there to export to a third market area which otherwise could not be reached because of discriminating protectionism or for political reasons. If an American company sets up a plant in West Germany, for example, it may be able to ship into East Germany. Or it may set up a plant in some other European country to take advantage of bilateral arrangements that do not exist in countries where it already is.

Once a decision has been made to invest abroad, a number of other considerations dictate the choice of *which* country shall receive the investment. These can be grouped into governmental factors and nongovernmental factors. With respect to the first group, American investors seek out a country that has political, financial, and economic stability, a favorable official attitude toward private enterprise and the profit motive, and little or no corruption within the government. Turning to nongovernmental factors influencing the choice of country, American investors will consider the availability of skilled and unskilled labor, managerial personnel, banking facilities; road, rail, and harbor facilities; ancillary or

supporting industries; power facilities; and labor costs.

The question of labor costs is more complicated than is commonly supposed. It is not simply a question whether wage rates are low in a given country, but whether they are low or high in relation to the skill and productivity of the labor available there.

Another reason for direct investment in a given country is that the *material* is there. This of course is *the* reason in the case of the extractive industries — oil, copper, bauxite, etc.

Deterrents to Investors

The reasons why American corporations may *not* make investments abroad are mainly that some or all of these favorable conditions do not exist.

Let me give a brief list of *some reasons that will deter private investment in a country*: (1) lack of government cooperation or enthusiasm; (2) lack of local financing facilities; (3) lack of guarantees on repatriation of capital and profits; (4) restrictions on fields of investment; (5) limitations on ownership by nonnationals; (6) burdensome taxes; (7) unstable currency; (8) currency exchange restrictions; (9) import license difficulties on essential materials, machinery, or know-how; (10) burdensome social security legis-

lation; (11) price controls; (12) discriminatory laws; (13) government-owned competition; and (14) the possibility of expropriation.

I may have seemed to be arguing here that American investment is an unmixed blessing for Europe, and that all opposition to it is the result of misunderstanding or unreasoning prejudice. I do not wish to give that impression. I have thrown my emphasis in this direction mainly because I am writing in a European periodical. If I were writing on this same subject at home my emphasis would be different. I would devote at least part of my discussion to deploring and warning against some of the mistakes that Americans make abroad, both in actions and attitude — condescension, brashness, disregard of local customs and methods, refusal even to try to learn the local language, failure

to employ nationals of the host country to the greatest possible extent, and so on. Such actions and attitudes breed a perfectly justifiable resentment.

But the faults I have been describing are in the main the faults of the more recent arrivals in Europe among American companies. An official of the Parker Pen Company tells about a conversation he fell into with a London taxi driver. "Are you over here for pleasure, sir?" asked the taxi driver. "No," replied the American, "on business." "What's your business?" asked the driver. "I'm with the Parker Pen Company," replied the American. "Oh," asked the taxi driver, "does America have a Parker Pen Company, too?"

Well, *that's* the impression that every foreign corporation ought to give in the country in which it has a subsidiary. ♦

IDEAS ON LIBERTY

Climate for Progress

IN A NATION without a thriving business community, private wealth is generally stored in vaults, or used in conspicuous consumption, or invested in real estate, or placed with business communities abroad. But where a country's private business is not subject to Procrustean measures of control, this private wealth is less likely to be shipped abroad, buried, or otherwise diverted into circuits of low economic potential. It is likely to come out of hiding, or to be brought home from abroad, particularly since the prospects of profit are normally higher in a poor country if the political environment is good.

A Clergyman Looks at Free Enterprise

NORMAN S. REAM

I BELIEVE that a great number of clergymen in this country despise socialism in all of its forms, whether it be called the New Deal, the Fair Deal, the New Frontier, or the Great Society. But they are not in the majority, and they are not quoted continually in the newspapers and magazines. They are certainly not the executives of national church groups which are constantly issuing, or causing to be issued, statements proposing an ever greater expansion of the welfare state. You will perhaps have noted that most of the ultraliberal spokesmen for religion are in executive positions or in theological seminaries. Very few of them are parish ministers and parish priests. Unfortunately, however,

great numbers of clergymen on the parish level are strongly influenced by the voices which emanate from church councils and seminary campuses.

Let me tell you what I think the typical clergyman is like when it comes to economic and political matters. First we must go back into history a bit. Back in the early thirties, a great many people in this country — clergymen included — developed what Ludwig von Mises calls an anticapitalistic mentality. Several religious denominations adopted resolutions which condemned capitalism equally with communism. One group voted a resolution condemning capitalism and advocating its elimination, along with the elimination of the legal forms and moral ideals which sustain it. Because church-

The Reverend Mr. Ream is pastor of the First Congregational Church of Wauwatosa, Wisconsin.

men, for the most part, were woefully ignorant of economics and the causes of depressions, they blamed all of the suffering and economic malfunctioning which existed in our country at that time on what they mistakenly referred to as *laissez-faire* capitalism. Although this mentality has moderated generally during the last thirty years, it is still prevalent in official circles.

Economically Uninformed

The clergy, like most of the population, is, as I have already observed, woefully ignorant of economics. There is one difference, however: the clergy are leaders in the community and have therefore a greater responsibility for being informed, especially if they are going to issue pronouncements and pass resolutions. But time after time I have sat in meetings where clergymen argued the pros and cons of certain political matters concerning which they were abysmally ignorant. I well remember on one occasion sitting in a meeting where a group wanted to pass a resolution favoring the adoption of the United Nations Declaration of Human Rights. They were almost unanimously in favor of it but when I asked them how many had read it, not a single person present had read the document through. It had a nice title, it

sounded good, prominent persons were pushing it, so they were for it.

Most clergymen have been so trained as to develop a sensitive conscience. When they see injustice and need in human society, they want to do something about it. They do not always stop to consider what is the best thing to do, over the long run and for all concerned. Over and over again in talking with politically liberal ministers, when I have challenged the socialistic method of meeting the problem, I have been asked, "Well, don't you care about these people who are suffering or undergoing hardship?" And of course I do care, as all of you care, but one has to be cautious in his care. He has to care enough to see the problem as a whole and not partially.

What Are the Consequences?

This leads me to another strong conviction shared by Dr. Mises. I had the privilege of studying under him, the dean of classical economists, in two summer sessions. Over and over again, when confronted with a difficult economic problem, he would insist that we have to consider the long run and not just the short run. To solve an economic problem by meeting an immediate need but ignoring the long run conse-

quences, is not to solve it at all. Such a method often raises greater and more difficult problems.

May I suggest a very simple analogy. If a panhandler accosts me on the street and is obviously hungry, ragged, and in great need, I can give him a couple of dollars which will solve all his immediate problems. It will get him something to eat and a bed. But have I really solved his problem? Of course not. His problem is much more deep-seated than that, and although this is a simple analogy, it is a pertinent one. Many ministers think the solution of our complicated and difficult economic problems are likewise simple: just get the government to tax those who have and give to those who have not. That, they suppose, will create a just and equitable society.

Well, we have been doing that with increasing intensity over the past thirty years. We have, to be sure, met some of the immediate needs of men and women who perhaps didn't have enough to eat and enough to wear and proper housing. But let us look at some of the consequences during those thirty years. We have a greatly enlarged national debt, we have greatly increased taxes, we have inflation, we have a greater crime rate, divorce rate, alcoholism rate, narcotics rate; and in spite of our affluent society, there is a strong

undercurrent of feeling in our country that not all is well. Now, would you reply that all of these consequences I have enumerated are not necessarily the results of a socialistic economic policy? I think there is a relationship, and we need a lot more study to determine just what that relationship is; for those statistics apply not only to our own country, but to every country which has gone increasingly socialistic.

A Common Failing

Now, this condemnation of economic ignorance should not be reserved for clergymen. There are also businessmen who are economically ignorant. It is not an occupational hazard or professional disease reserved for one segment of the population. When Milton Friedman of the University of Chicago says that the two worst enemies of freedom are liberal professors and businessmen, this is part of what he is talking about. It is economic ignorance that tempts a businessman to seek a quick profit at the expense of a long-range economic gain. It is moral ignorance that lets a businessman break the law or pull a fast deal to the detriment of all business and businessmen in the future. I am no economic expert myself, but I know a fake when I see one; and lots of business-

men I have known are fakes in this area. In a really *laissez-faire* economy they couldn't exist. It is the protection of government which often saves them from failure.

Not only are most clergymen, like so many Americans, ignorant concerning the fundamentals of economics; they are also ignorant, like so many Americans, of our rich heritage, and of what it is that has made this country so great and wonderful. Typical of this national ignorance is that poll which recently revealed that 85 per cent of our young people did not think patriotism was vital or played any important part in life; 61 per cent did not think the profit motive necessary to the survival of free enterprise; and well over 50 per cent were in favor of close government regulation of all business.

Spoiled Children of History

I must confess that I am not optimistic about the future of our Western civilization and our traditional free institutions. Our civilization and the institutions of our Western culture depend upon understanding and awareness, and they often demand sacrifice. The American people today are in no mood to sacrifice. We are the spoiled children of history.

What it all comes down to is

that, among others, the religious leaders of our Western civilization are disillusioned because the free enterprise system has not brought about a national and international utopia. Their reasoning seems to be somewhat as follows: The traditional American system has not transformed all men into saints and solved all the problems of human nature; therefore, there must be something wrong with the system. There being something wrong with the system, the obvious answer is to do away with it and try some other system. Such reasoning does not properly assess what this system has done over the past 200 years. It does not understand and appreciate its benefits to mankind around the world.

Free enterprise, on the other hand, has not sold itself to the recipients of its own benefactions. Those whom it has blessed most do not appreciate it or understand it. They seem blind to the fact that socialism has produced, when compared to free enterprise, practically nothing; and the little it has produced has been at the cost of human dignity and self-respect.

Did you see those figures published by the director of the census a while ago: According to our government, if you make under \$4,000 a year you are in poverty. Yet, three-fourths of the families making less than \$4,000 a year

have their own washing machines. Almost 93 per cent of them have television sets; 60 per cent of them have automobiles available. The average Negro youth in the South in the United States has a better opportunity to get a college education than the average white young person in England. Why, in light of all of this, are there men and women in America — and especially clergymen — who don't like the system that has made it all possible? Is it perhaps an underlying feeling that man does not live by bread alone, that we don't have all we need in order to really live happy, useful, meaningful lives? There's something missing, and clergymen are apt to see this more quickly, more sharply, than others.

The Role of the Church

Here, clergymen come face to face with their own failures and that of the church. It is the business of the church to purify men's motives, to enrich their spirits, to inspire them with lofty aims and purposes. This is not the function of a manufacturing concern or a bank. When the clergyman sees business meeting man's material needs, but the church failing to meet his spiritual needs, he gets a guilt complex which sends him to Selma, Alabama, and out onto the picket line. It is the business

of the clergyman and of the church to build religiously oriented individuals with strong moral character and send them out into the world to transform that world into something more akin to the Kingdom of God. Because that Kingdom is so slow in coming, because the church is so ineffective and weak in its task, there are those who now want to go out and take the Kingdom by violence, as Jesus warned they would. Business, free enterprise, capitalism, the profit motive — all of this becomes the scapegoat for every evil that exists in society. The clergyman, I sincerely believe, is unconsciously passing the buck for his own professional failure. But it is not his failure alone. It is the church's failure as well; and most of us are a part of the church. It is, therefore, our failure, too.

Each individual within the capitalistic system has a responsibility to be a moral man, and any time any one of us acts without integrity, it reflects on the system. When one business breaks the law, all business comes under condemnation. When one executive is immoral, all executives tend to be branded.

Do you remember what Albert Schweitzer said when somebody asked him what was the greatest force and power in the whole world? He answered, "Reason,

persuasion, and example, but the greatest by far is example." We have had too many examples of immoral businessmen or improper business activities which are not due to the system under which we operate, but due to immorality within individuals. All of these things, in the mind of the average man, reflect on the system, on business, on our free way of life.

Albert Jay Nock insisted, in the title of one of his books, that the state — not government, not politicians, but the state — was man's enemy. By its very nature it tends to grow and intrude upon man's personal freedom. It was for this reason the Founding Fathers sought to set up strong safeguards against the state's arbitrary use of power.

Nock and the Founding Fathers were alert to the warning issued centuries earlier by Confucius. Traveling with some companions along a lonely mountain road he came upon an old woman weeping. Questioned by the disciples, she replied, "O, sirs, some time ago

my brother was killed at this spot by a ferocious tiger. Last month my husband was killed in this same spot by the same tiger. Yesterday my son was likewise killed." "But, old woman," asked the disciples, "if the tiger was so dangerous why did you not leave this spot?" "Because, sirs," she replied, "because there is no oppressive government here." Confucius then spoke and said, "Remember this, my sons, oppressive government is more to be feared than a ferocious tiger!"

Civilized man has always felt himself to be a creature with a divine origin. As such, he has believed he ought to be free from the domination of other men. For this conviction he has often been willing to give his life.

The time will come, I believe, when men will once more cherish freedom as did our fathers; and it will be because they have learned anew that man does not live by bread alone, even that bread provided by a benevolent, but omnipotent government. ♦

IDEAS ON LIBERTY

Samuel de Puffendorf

HE IS JUSTLY ESTEEM'D the more excellent Citizen of the World, and the more generous Benefactor to his Fellows . . . the more diligent he hath been in advancing his own Perfection.

SOME REFLECTIONS ON ROBOTS

LEONARD E. READ

MEANS are often confused with ends. Thus, when we focus on the employment-unemployment picture, as I do in this essay, the tendency is to overlook the fact that job holding by itself is, as a rule, but a means to the satisfaction of wants. The growth of any individual's physical and mental faculties does, of course, demand exercise, but having a "job" isn't always necessary for that; these faculties can be and often are more exercised by the jobless — coupon clippers, for instance — than by job holders.

So, we're not seeking employment merely for the exercise. Human labor for its own sake is seldom our aim; we labor in order to enjoy its fruits in the form of food, clothing, and shelter, or to satisfy other physical and spiritual hungers. And one of the most essential qualities of being

human is the urge to be relieved of burdensome effort and freed to pursue more desirable objectives. It is this urge, when men are free, that causes the invention of mechanical slaves — our tools and machines; they free us for something hopefully better. This is also why we specialize and trade.

In a world which has an infinite amount of work to be done, involuntary unemployment is inconceivable — provided the market is free. Unemployment is always the result of price (wage) and other coercive controls. Automation, as I shall attempt to demonstrate, has nothing whatsoever to do with it. Our mechanical slaves — labor-saving devices of all kinds — stem from the recognition and pursuit of higher wants than mere survival; they are the means toward such ends. Let us therefore try to clear away some of the confusion

that attends the employment-unemployment problem as related to automation.

Whenever we come into possession of a source of mechanical energy equivalent to one man's energy, we have added to the work force a mechanical slave, an automaton, a robot.

No question about it, the robots, at first blush, appear to cause unemployment. Take the automobile, for instance. It disemployed buggy and wagon workers, whip and harness makers, stable hands, and a host of others. True, some went to work for the auto makers but, nonetheless, the automobile — automated travel, the product of automation — made for unemployment. So goes the chant.

The Facts Deny the Theory

Regardless of that first impression, we know that robots do not, in fact, cause unemployment. For instance, we have experienced an enormous outburst of automation, yet a high percentage of the population — about 80,000,000 — is on the work force; today's many areas of acute labor shortage refute the notion that automation causes unemployment.

Quite possibly we could settle the whole question in our own minds by merely reflecting on primitive automation: the wheel and a domesticated animal. The

ox-drawn cart, instead of putting the owner out of work, gave him higher level work and multiplied what he could produce and thus consume.

Or, consider the story of two men who were watching a huge steam shovel removing earth in preparation for the building of Hoover Dam. Said one, "Think of all the men that shovel is putting out of work!" Replied the better economist of the two, "There wouldn't be a single person working on this project if all that earth had to be removed by men with their hands."

Yes, the automobile disemployed buggy workers, but in the same sense that the ox-drawn cart relieved primitive man from doing everything by hand. Failure to see this point leads many people to believe that automation causes unemployment.

If robots are the cause of unemployment, then the telephone — automated communication — must have wrought havoc. The fact? The operating companies employ over 700,000 people, and several hundred thousand are employed by the suppliers. But surely, some will contend, automatic dialing disemployed a great number of switchboard operators. The fact? There are nearly 50 per cent more operators today than in 1940. Why? Because automatic dialing

made possible so much more use of the telephone than before. If the present volume of conversations had to be connected manually, at least 1,000,000 switchboard operators would be required. Of course, this is a fictitious "if." The manual operation would be so inefficient relative to automatic dialing that the volume would require no such number.

If automation caused unemployment, then it would follow that an addition to the work force of any mechanical energy equivalent to one man's energy—one robot—would disemploy one man. However, this is contrary to observed fact. Today in the U.S.A., each worker has perhaps 135 mechanical slaves—helpers or robots—working for him, each contributing energy equivalent to the energy of one human worker.¹ If each robot displaced one worker, the unemployment figure would be

¹ The figure of 135 mechanical slaves per worker is believed to be conservative, though there are too many variables to afford proof positive. The electrical industry estimates that 67 KWH's is equivalent to the energy of a man working an 8-hour shift for a year. More than a trillion KWH's were generated in 1965, which would mean nearly 200 electrical robots for each person in the work force, assuming that there were no energy losses in transmission and use. Some machines convert energy more efficiently than others; some humans are more energetic than others; so the figure is a guess, at best.

135 times the present work force — 10,800,000,000 — an utter absurdity.

If these robots do not displace workers, then where does all this extra energy go? Should we discover the right answer, we will know whether they are the workers' friends or foes and, as well, whether we should try to encourage or discourage their proliferation. Let's try to find the answer.

In Grandfather's Day

My grandfather, recalling the 1850's, used to repeat, "Many times have I walked thirty miles in a day." His boast recently came to mind as I flew from New York City to Kansas City (1,100 miles) in two hours. It would have taken grandfather about 280 hours of walking to negotiate that distance. He would have been on his way to Kansas City for thirty-seven days. Only 365 round trips would have taken every day of his long life.

Grandfather, in his early days, had only his own energy at his disposal—just one man-power. Now assume that he had walked to Kansas City, taking 280 hours. I made it in two hours by jet. Isn't it clear that something has to account for that 278 hours miraculously, one might say, put at my disposal? What made this possible? It was, among other factors,

the billions upon billions of robot days that assisted in the construction and the operation of that jet!²

But these robots did more than give me 278 hours unavailable to grandfather. There were 100 passengers on that flight, a freeing for other use of 27,800 hours. Further, that very same jet may be good for 25,000 such flights or a total freeing of 695,000,000 hours. And that jet is only one of hundreds of commercial jets. Add all the commercial prop jobs and all the private planes, and the liberated hours become astronomical. Anyway, that's where some of the robots' energy went, without putting anyone out of work.

The Chance to Grow

We must, of course, keep in mind that the energy of robots going into airplanes is but some very small fraction of all automated energy. But the statistics do not matter; what is important is that we understand what these robots do for us and, also, to us. For one thing, they multiply our

² I must not leave the impression that added mechanical energy alone accounts for all material progress. There is gain, for instance, in every voluntary exchange. An idea, a flash of insight, an improved concept of freedom, the abandonment of a coercive practice, an incentive, a spirit of entrepreneurship, the practice of integrity, in short, spiritual activities, add incalculably to material as well as to other forms of progress.

opportunities for unique, enriching experiences. When taking the family for a drive at 60 miles per hour, speculate on why the trip is possible and what is propelling you at this speed! Think of the situation were only shank's mare available. Or why you can read a book instead of washing the dishes, or write a poem instead of foraging for food. You will, perhaps, stand in awe of and give some credit to the robots for relieving you of the necessity of sloshing around in the rice paddies or scrounging for rabbits so you won't starve or, yes, from making buggy whips.

Or even more: perhaps these robots have something to do with your very existence. Less than 400 years ago this land we call the U.S.A. had a population variously estimated at 250,000 to 1,000,000. Why so small? It was not because of the Indians' inability to breed, nor because of unfriendly climate or infertile soils, nor for any lack of natural resources. It was because a foraging economy would not support more than then existed. Assuming no improvement over that type of economy — no robots except some horses — the chances are at least 200 to 1 that you would never have known adult life.

But back to grandfather: he never saw Kansas City; indeed,

through his teen years, he never went beyond his walking orbit. I, on the other hand, have visited Hong Kong, as far from home as I can get; my air mileage alone is now equal to eighty loops around the world. Grandfather didn't have time enough to do very many things. I have the time to do a thousand times as many things, and by reason of your and my mechanical helpers, the robots. This, of course, explains why timesavers multiply busy-ness — there are so many more things we can do. For good or ill, we are far busier than our ancestors ever were.

Grandfather never talked over a telephone in his life. I reach my son — 2,600 miles away — in 10 seconds; I have talked across the Pacific, to Buenos Aires, Gander, London, Mexico, and to every nook and cranny of the U.S.A. If the robots have disemployed me, it is from the limited opportunities grandfather experienced. There is a better way to put it: the robots have liberated, not disemployed, humans.

Robots Are a Response

Robots put people out of work? On the contrary, robots become economically feasible and appear in our lives only as the result of a scarcity of human labor to accomplish all the tasks we want done. It doesn't pay to do by machine

what can be done more cheaply by hand. Businessmen tend to mechanize or automate after, rather than before, laborers have moved away from a particular job.

For example, our operation at FEE calls for three large mailings every two months, requiring 20 workers for two days on each occasion. When we began two decades ago, we trained local housewives for this part-time work and paid the hourly minimum wage of 80 cents. Afterward, the minimum was raised to \$1.00 and later to \$1.25. Now assume that FEE was on the brink of bankruptcy, that is, at that critical point where a few hundred dollars would tip the scales toward institutional survival or closing, and that the latest minimum wage raised our costs to that point. What to do? We bought some robots in the form of a machine: press a button and it automatically collates, stuffs, seals, and stamps, doing the work of the women, quicker and at lower cost. True, the part-time women lost their "pin money" jobs but the rest of us were saved from losing ours.

Most people will say that the robots disemployed the women, a grave error. The culprit was none other than the minimum wage law — governmental interference with the free market. It was bad law that sent our women back to

housework. As these costs of governmental intervention rise year after year, more and more employers are faced with failure. The robots have performed a remarkable and incalculable rescue mission.

Men to Match Machines

There isn't anything wrong with automation per se. The serious problems cropping up are not because of the robots but because of the people who are blessed with them. These problems, as near as I can fathom them, have their origin in an imbalance between technological know-how and economic, political, and moral wisdom. The former is remindful of an explosion; the decline of the latter amounts to apostasy. This is dangerous, for an increase in the robots we command calls for a commensurate increase in understanding and virtue. It isn't at all promising to put a chimp at the wheel of a truck, a truck driver at the controls of a jet, or a people in command of a powerful system of robots the interworkings of which they but dimly understand. If we aren't to be done in by our own creations, what then is it we must understand?

The kind of automation that proliferates opportunities as to varieties of employment and, at the same time, multiplies the

kinds of goods and services that may be obtained in exchange for the fruits of one's labor, is exclusively a free market phenomenon.³ Such automation cannot, as is so often demonstrated, be transplanted into or copied by authoritarian societies. Robots that serve the masses are first the outcroppings of freedom and then of capital formation, and cannot exist where these two absolute essentials are absent. For instance, steel mills have been built in Russia, India, and other socialist countries, the effect on the masses of people being further impoverishment. Automobiles are not being produced for the masses in Russia; only the Commissars can have them. And so it goes. The point of all this is that if we substitute the governmentally planned economy for the free market, the mass-serving robots will tend to disappear until they become as scarce and useless here as they are in the USSR! This is only

³ I am omitting any discussion of the robotry that does not originate with free market processes, the kind that can be and is made possible by the coercive collection of funds, the type used to make sputniks and to put men on the moon. Robots originating with socialist processes impoverish rather than enrich the masses of people. For an explanation, see the chapter, "How Socialism Harms the Economy" in my *Anything That's Peaceful* (Irvington, N. Y.: The Foundation for Economic Education, Inc., 1964).

a part of the understanding that must accompany our increase in technological know-how. There is much more.

Specialists Are Dependent

As only casual observation reveals, automation spells specialization—in our own case, to a fantastic degree. This, in turn, increases interdependence. Is it not self-evident that all of us—no exceptions—are dependent on the free, uninhibited exchanges of our numerous specializations?⁴ In short, we are at a level in interdependence that can only be sustained by a highly intelligent, perceptive, and moral people. For support of this contention, reflect on what's involved.

These exchanges, it is plain, are essential to survival. Nor can they, in a specialized society, be achieved by barter; they cannot take place without an economic circulatory system, that is, the medium of exchange—money. And

any act, private or public, which lessens the integrity of the circulatory medium correspondingly imperils the complex exchange processes. Inflation, brought on entirely by governmental excesses, and encouraged by a people who do not understand the simple economics of the matter, is the culprit that erodes the integrity of the medium. Thus, a people who extravagantly automate and who do not at the same time know more about, and practice with increasing scrupulosity, the economic and moral facts of life are headed for a disaster greater than inflation has ever brought on in other countries.⁵ To fully appreciate this danger, one need but recognize how far each American is removed from self-subsistence, or to recognize how impossible survival would be were each individual to exist only on what he alone produces. For reasons not easy to explain, understanding appears to be decreasing as robots are increasing.

One can hardly imagine a societal situation more chaotic than one with specialization on the increase as freedom in transactions

⁴ Automation makes for specialization which, in turn, increases our interdependence on the high quality behavior of each other. But a new and awesome *dependence* also develops: our dependence on the robots! They become necessities, that is, sources of energy we must have in order to survive. Example: man-contrived electrical energy. A century ago its elimination would have had no perceptible effect. Were it suddenly eliminated today all of us, except the few who could exist by foraging, would perish. See "These Our Gifts," THE FREEMAN, October 1958.

⁵ Students of liberty will find it profitable to read and reread Andrew Dickson White's classic, *Fiat Money Inflation in France* (Irvington, N. Y.: Foundation for Economic Education, Inc., \$1.25 paper, \$2.00 cloth, 125 pp.).

is on the wane. As robots increase and augment our specialization, so must there be an increase in free and willing exchange, freedom of choice, the free market. As robots appear, coercion — governmental control and rigging of the market, for instance — must correspondingly disappear. Simple reasoning as well as all the evidence attest to this fact. Yet, an alarming number of people — teachers, clergy, politicians, even entrepreneurs — are blind to it.

***Can Progress Occur in
the Absence of Obstacles?***

I have suggested that it isn't easy to explain why understanding seems to shrink as automation expands. Is there, perhaps, a correlation between struggle and sound thinking and, conversely, between easy affluence and intellectual decadence? Of one thing we are certain: our robots confer more and more material satisfactions with less and less effort on our part.

The present trend is toward increasing material affluence in return for decreasing effort. Literally millions of individuals are approaching a something-for-nothing way of life. Obviously, it is difficult to keep mentally rigorous when the robots are doing one's work. Indeed, mental rigor may be impossible unless the individ-

ual experiences a cultural growth commensurate with growth in affluence. This is to say that the individual may vegetate unless he realizes that the purpose of wealth is to release him from drudgery so that he may more vigorously pursue those potentialities and aptitudes uniquely his own. If the robots are to induce our getting out of life — vegetating — rather than getting ever deeper into life — growing — then the late Dean Inge's observation is indeed prophetic, "Nothing fails like success."

The struggle to overcome is the genesis of becoming. It is the law of polarity, the tension of the opposites, that spells growth, development, progress; at least this appears to be Nature's dictum. Men need new frontiers to explore and occupy and transcend, not in the form of politically contrived obstacles — heaven forbid! — but in the form of challenges worthy of the mind of the individual human being striving toward his potential. When the struggle for existence is eased, higher level struggles must be substituted: expanding awareness, perception, consciousness, in a word, difficult, hard-to-overcome intellectual, moral, and spiritual goals. This is by way of saying that disaster cannot be avoided unless a growth in wisdom be up to and on a

parity with a growth in technological know-how.

Elevating Our Ideals

But here is the rub: material hardship, once overcome, does not and cannot serve as the obstacle, the tension, the springboard for this required growth in wisdom, this flexing and expansion of the intellectual and spiritual faculties. Material hardship is an obstacle supplied by Nature or, if you prefer, by the environment. But once overcome, man is on his own; he has to make his own obstacles in the form of rationally constructed goals. As the French scientist, Lecomte du Noüy, phrased it, "To really participate in the divine task, man must place his ideals as high as possible, out of

reach if necessary." And is not this creating of our own obstacles, perhaps, the profound lesson we should learn from the robot explosion?

The robots presuppose our knowing how to live with them. They, as an auto, TNT, sulphuric acid, a jet plane, are dangerous in the hands of those who do not know their properties, of those who are unaware of automation's deeply significant meaning. The robot army, in its present dimensions, requires, at a minimum, an understanding of private property, free market, limited government principles—economic and political enlightenment—far superior to any such understanding ever achieved up to this period in history. ♦

IDEAS ON LIBERTY

Labor Saver

WHEN A MACHINE is invented that does the work of twenty men at the wage cost of one, we are all beneficiaries. When a merchandising plan is invented that clips 5 per cent from the cost of distribution, every consumer is a little better off. When electronics brings first-class entertainment and instruction into our homes at negligible expense, we all live a little more abundantly.

We make progress in two ways: first, by individual effort, and second, by the efforts of others. In the last thirty years the dullest and least enterprising among us have been lifted to a standard of living and comfort that could not be achieved by any, except a very few, two hundred years ago.

***The recent Finance Bill of Mr. James Callaghan,
Britain's Chancellor of the Exchequer,
is perhaps the most dangerous of
a long and continued series of assaults
upon the free enterprise system in that nation.***

***The fact that freedom is similarly
threatened in the United States and elsewhere
gives universal importance to the alarm
sounded from London by the Institute of Directors
representing more than 40,000 British businessmen.***

THE ASSAULT ON FREE ENTERPRISE

BRITAIN LIVES by free enterprise. It is the whole basis of our way of life. Even those who openly abuse and deride free enterprise admit that four-fifths of the nation's business should stay outside the net of nationalisation.

Now there are ominous signs of the free enterprise system being eaten away without the country's citizens being aware of it. Indeed the most alarming thing about the latest and most dangerous assault on free enterprise is that so many people are not really alarmed.

They seem not to have noticed

the cracks in the ice, the plume of smoke from the volcano, the shifting of the landslide; or if they have seen it, they dismiss what's happening as something remote. "It doesn't affect me personally, so why should I worry?"

By the time you have finished reading this booklet, we believe that we will have shown how it does affect everyone personally, why it's not just the concern of the nation's businessmen, but is in truth everyone's business.

Mr. Callaghan's Finance Bill is the sharpest and most open warn-

ing yet. It will cut deep and has shocked a lot of people, ordinary people who saw themselves a mile away from this sort of issue. But, make no mistake: the subtle process had already been going on for some time before Mr. Callaghan got to his feet on Budget Day. *He made no secret of the fact that his measures were not a "once for all" burst of radicalism. Far from it. They are meant as the first in a long series of anti-business restrictions.*

Capital, says the Chancellor in effect, is the enemy. Let us beat it to its knees. And in doing just that, he cuts off industry's raw material. For without capital, the free enterprise system must wither. The wall is breached. The State walks in.

An assault on capital is an assault on the means whereby businesses grow. It is an assault on the reasons *why* businesses grow. The assault on capital takes shape for all to see if they have a mind to do so. Look at the facts.

Hard to Raise Capital

The government makes it increasingly tough for the businessman to get new capital. It's not only practically difficult. It's almost socially indecent. Savage and steeply progressive tax rates on individuals and on companies—and a political bias which favours the

spenders rather than the savers—make it impossible to build up reserves. Robbed of reserves, the market dies. The businessman may recall from his school days the task of Sisyphus, one of the Titans who was condemned to roll up a hill a stone of ever-increasing weight; the businessman has this dubious advantage over Sisyphus—he *knows* he can't win.

But the assault doesn't stop there. It's almost as difficult today to keep capital in a business as it is to accumulate it. Compared with the new Capital Gains Tax, death duties were a mild imposition, a feather touch compared with a full-blooded lash. The Capital Gains Tax makes no allowance for inflation. It is thus a recurrent capital levy, that once-for-all tax Sir Stafford Cripps, the spiritual forebear of Mr. Callaghan, imposed in 1948. Of course, it will mean the end of the small business during the owner's working life-time. (When Mr. Heath made this point in the Commons debate on the Finance Bill a voice from the Labour benches called, "And a very good thing, too.")

What is the ultimate source of new capital? The answer is—profits. And now, deliberately, profits are being buffeted from every direction: by taxes piled on taxes, by compulsory contributions, by forced levies, by any amount of

cost increases coming directly from government decision. Knock the profits, and you knock the system by which they are made. It's all very simple.

Investors, too, find themselves in the front line. The government institutes a vindictive tax policy — "unearned income" is an attractive catchword for those with neither the wits nor the thrift to acquire it. This shrinks the possible return on the investment stake and has now dimmed even the hope of capital gains. Investors are rebuffed no less by the Corporation Tax whose clear purpose is to cripple their chances of a share in profits.

How Long?

What's the total of this dismal arithmetic? At every stage success is penalised, ambition curbed, and enterprise stillborn. The remarkable thing is that business activity and investment should, so far, have withstood this brutal assault as well as they have. But there is a limit to the punishment they can take. From now on, the effects will increasingly be felt. New businesses, new investment, new enterprises will dwindle. They must. For the seed-corn is being eaten.

Does all this matter? Well, of course it matters to the business community. But in fact, it matters

very much to all those who abhor the prospect of an omnipotent state, all those who want to live their own lives.

Let's get the record straight here—it's unlikely that anyone else will. What we call the free enterprise system is not just another economic theory, an "ism" in the same breath as Marxism or socialism: it *is* freedom. Without economic freedom, without the freedom to save and spend, to accumulate and invest and inherit, without the freedom to mis-spend (for we need no-one to tell us whether we are spending our own money wisely or not), personal freedom disappears.

Destroy free enterprise and we will forfeit the right to make up our own minds: the final sacrifice. If nobody has any capital, if nobody can launch an enterprise without the state's approval, then the rape of free enterprise is complete. This means the death warrant for any man with the enterprise and guts to start his own business.

No businessman is stupid enough to believe that in a period of rapid technological change and huge capital requirements there aren't problems to be solved: big problems, social and structural. They demand consideration. They *can* be solved. But the last people to solve them are governments

and their economic advisers who either because they just don't understand the problems, or are swayed by political doctrines, are out to sabotage the whole system.

That's the situation. It's extremely dangerous. If the socialists have their way, Britain will get less and less investment, less and less accumulation of capital, fewer rewards for efficiency, a rapidly dwindling number of

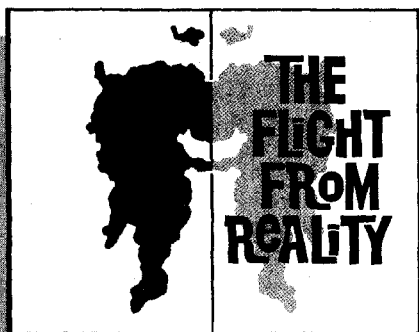
pioneers and merchant adventurers. There'll be no more Nuffields. Least of all can the business community afford to ignore what is happening or dismiss it as "mere politics." But the peril goes deeper — it strikes at us all. *The peril, make no mistake about it, threatens our way of life, it threatens our future prosperity, it threatens our freedom — yours and mine.* ♦

IDEAS ON LIBERTY

The Misfortunes of Intervention

ALL THE MISFORTUNES that our beautiful France has been experiencing have to be ascribed to "ideology," to that cloudy metaphysics which goes ingeniously seeking first causes and would ground legislation of the peoples upon them instead of adapting laws to what we know of the human heart and the lessons of history. Such errors could only lead to a regime of men of blood and have in fact done so. Who cajoled the people by thrusting upon it a sovereignty it was unable to exercise? Who destroyed the sacredness of the laws and respect for the laws by basing them not on the sacred principles of justice, on the nature of things and the nature of civil justice, but simply on the will of an assembly made up of individuals who are strangers to any knowledge of law, whether civil, administrative, political, or military? When a man is called upon to reorganize a state, he must follow principles that are forever in conflict. The advantages and disadvantages of the different systems of legislation have to be sought in history.

From Napoleon's reply to the Council of State
at its session of December 20, 1812.



23.

The Flight from the Constitution

PART I

CLARENCE B. CARSON

THE CONSTITUTION of the United States was the major obstacle to the use of the government to reconstruct American society. Social reconstruction by government, if it could be done, would require the concentration of power in a single government, the central direction of the exercise of that power, and a concerted effort over an extended period of time. The latter would be a requirement if it were to be done gradually, and it should be clear that this was the method generally approved by American reformers. Ushering in utopia by government action would require not only an initial control over the lives of Americans but also a continuing control such as to make

continuing popular decisions impractical, undesirable, and disruptive of the whole course of development.

The Constitution was carefully drawn so as to make such uses of the government which it authorized exceedingly difficult, if not impossible. The Founders did not have in mind preventing meliorism (or socialism), of course, for they had never heard of it, though they were familiar with mercantilistic approaches to amelioration. They were concerned with protecting the liberty of individuals and preventing the government from becoming tyrannical. Any provisions that tend to accomplish this object will, at the same time, place obstacles in the way of using the government for social reconstruction. Tyranny is made possible by concentrated and unchecked power.

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

er, by the very conditions which are necessary for social reconstruction.

Beware of Factions

The Founders were not familiar with meliorism but they were acquainted with factions, interest groups, and parties. They were aware, by way of history, of the damage done to republics, to popular governments, and to liberty by men joined together in factions and using political power to achieve their aims. In short, they were conscious of the dangers of faction and party. James Madison provided an acute analysis of the sources and dangers of factions in the *Federalist* number 10. He first defined the term:

By a faction I understand a number of citizens, whether amounting to a majority or minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community.¹

He explained that this tendency of men to group as factions arises from human fallibility and liberty. The partiality of men's vision coupled with self-love inclines

them to pursue what they think is for their own well-being, though it be at the expense of others.

The latent causes of faction are thus sown in the nature of man; and we see them everywhere brought into different degrees of activity, according to the different circumstances of civil society. . . . So strong is this propensity of mankind to fall into mutual animosities that where no substantial occasion presents itself the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts. . . . Those who hold and those who are without property have ever formed distinct interests in society. Those who are creditors, and those who are debtors, fall under a like discrimination. A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests, grow up of necessity in civilized nations. . . .²

The main purpose of Madison's essay was to refute those who held that a confederated (or federal) republic was inappropriate as a form of government for America, since the population was dispersed over a vast area. On the contrary, he held, this was the most propitious situation for such a government. Factions had destroyed small republics in the course of history. Pure (or direct) democ-

¹ James Madison, Alexander Hamilton, and John Jay, *The Federalist Papers* (New Rochelle, N. Y.: Arlington House), p. 78.

² *Ibid.*, p. 79.

racy had given too great an opportunity for the majority to tyrannize over the minority, whereas in America, the indirectness of representation and the dispersion of the population would make it most difficult for factions to use the government for partisan purposes.

Pressure Groups Discouraged

Indeed, the United States Constitution did place formidable obstacles in the way of any interest group which wanted to use government for its ends. Not only is the population dispersed over a country of broad extent but also any potential faction or interest group may be expected to be spread throughout the country. The manner of election of representatives established by the original Constitution made it difficult for any faction to bring its weight to bear in concert upon the government. Only one body of the Federal government—the House of Representatives—was originally chosen directly by the electorate. Provisions were made for Representatives to be selected by voters within states, usually by districts. The electors of the Senate came from within even smaller districts, for the Senate was to be chosen by state legislatures. The electors of the President were chosen by states, and could be se-

lected by whatever electorate the states might decide upon.

The difficulties of factions were compounded by dispersing the powers of government between the general (Federal) government and states, and by separating the Federal government into three branches. For action to be taken by the Federal government both houses of the Congress must act by majorities, the President give his assent, and the courts enforce it. If any bill fails to get a majority in either house, it does not become a law. That is to say, either house may prevent legislation from being passed. If the President vetoes a measure, it has to be passed by two-thirds of those present and voting of both houses. If the courts will not enforce an act, it is of no effect at law. In short, it takes the concurrence of both houses of Congress and to considerable degree all branches of government for government to act, but it requires only one house to prevent legislation and any branch of government has considerable power to forestall it.

Constitutional Curbs

The Constitution limits the government both substantively and in the procedures it requires for changing it. The powers which the Federal government may ex-

ercise are specifically granted in the Constitution. It is prohibited to exercise certain powers, i. e., the passing of ex post facto laws, the restriction of free speech, the taking of property without just compensation, and so forth. All powers not granted to the Federal government by the Constitution are reserved to the states or to the people. To make the limitation upon the government as plain as possible, the Ninth Amendment says, "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people." The Tenth Amendment says, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." Moreover, the procedures prescribed for amendment are such as to require overwhelming approval throughout the country for changes to be made in the basic instrument of government. The ordinary route of amendment is for both houses of Congress to pass a proposed change by majorities of two-thirds or more. The measure is then submitted to state legislatures, or conventions within states. When three-fourths of the states indicate their approval, the measure becomes a part of the Constitution.

Protection, the Objective

The purpose of these complex checks upon the Federal government (along generally, with similar checks upon state governments) should be abundantly clear. They were aimed to prevent the use of the government by faction or party for the special ends of interest groups, to protect minorities from abuse by majorities, to keep government action to that which would be in the general interest, and to assure that such action as was taken would have behind it a broad consensus. To make this emphatic, the original Constitution requires that all taxes, duties, imposts, and excises be levied "for the common defense and general welfare of the United States. . . ." In short, moneys should only be appropriated for the well-being of everyone.

These provisions were, of course, only writings on pieces of paper in 1789. They had no force of their own, no power to make anyone adhere to them, no inherent strength to make anyone observe them. They might have become dead letters in short order, as so many constitutions have in later times. Instead, they were given vitality and life by men who found in their attachment to the Constitution means of achieving goals which they sought and retaining the fruits of victories

they had won. For those who sought to forge a Union from distinct and disparate states, the Constitution offered them their best hope. For those who valued protection from an overweening and arbitrary government, the Constitution was their shelter. Nor were these disparate ends; union and liberty were reconciled for many men by the Constitution. The Constitution was the primal contract of the American peoples — the union of peoples by states established by it, the powers of the general government stemming from it, the protections against arbitrary government provided in it.

The Constitution did more than this: it provided a symbol and source of continuity to a people who had dispensed with monarchy, who had cast off the hereditary means of continuity, who sought government by law not by men. At the hands of great jurists — John Marshall, Roger Taney, and others — it became the fundamental law by which all other law must be tested, the body of law to which all must submit when they operated within its jurisdiction. It was no longer a mere piece of paper; it was that to which judges deferred when they applied the law, that to which Congress and the President looked for authority, that in terms of which the power

of government could be brought to bear upon individuals.

The point is this. The Constitution provided diverse modes of election for those who should hold office under it, separated powers within the government, limited the powers to certain specified objects, and provided protections for the rights of individuals. It provided protections for minorities and made it most difficult for factions to gain control of the government. These provisions gained great force by the sanctity men came to attach to the Constitution. The words became flesh, as it were, as courts deferred to them, as legislators heeded them, as executives based their actions upon them.

Coalitions Formed

Yet, for a good many years now, the government of these United States has been embarked on a program of social transformation — on and off, but more and more. The assent to these efforts at social reconstruction has been obtained mainly by appeals to factions and interest groups. The art of politics has become largely the art of achieving majorities by gaining support from a sufficient number of factions. The reverse of what Madison predicted has occurred; he held that the mode of election of representatives and of the exercise of power would make it extremely

difficult, if not impossible, for the government to fall into the hands of factions. The electorate was so dispersed that factions would be prevented from bringing their weight to bear as a unit upon the government. Instead, the country is today divided into factions and interest groups which wield great influence upon the government and promote the concentration of power in government. This concentrated power is then used in programs of experimentation at social reconstruction.

There has been a flight from the Constitution. It has not been by constitutional amendment, though one or two amendments have facilitated the flight; for there are constitutional means for amending the Constitution. In any case, the Constitution has been little changed from the original, with one exception, in regard to the selection of representatives. The flight from the Constitution has been accomplished without altering the verbal content of the document generally: it has been done by extraconstitutional developments, by interpretation, by the assumption of powers not granted, by the gaining of powers by one branch at the expense of another, and by allowing some safeguards to atrophy or be altered.

Some early extraconstitutional developments set the stage for the

flight from the Constitution, though in themselves they may have been innocent enough. The Constitution provides that the President shall be chosen by an electoral college. Each state has as many electors as it has Senators and Representatives in the Congress. They are chosen in the manner directed by state legislatures. The assumption was that electors would be chosen because of their eminence within their states and that they would select a President without reference to anything other than their own choice. The original Constitution provided that each elector should vote for two persons. The person receiving the highest number of these votes, provided it constituted a majority, would become President; the one receiving the next highest would be Vice-President. In case no candidate got a majority, the election would revert to the House of Representatives, where each state would have one vote. Initially, state legislatures often chose electors.

Party Politics

One extraconstitutional development was the growth of political parties. Some of the early leaders, notably George Washington, hoped that political parties would not develop in America. It was a vain hope. The outlines of parties be-

gan to form over the very question of the ratification of the Constitution. Within a few years they had taken definite shape under the leadership of Alexander Hamilton and Thomas Jefferson. The Constitution has no reference to such organizations; they are given no role to play. But Alexander Hamilton was a man with a vision, a vision of a unified people in a nation made great by the vitality and extent of its commerce and manufacturing. He proposed to attain these objects by an energetic use of the Federal government. Jefferson welded together a party to oppose much of this governmental activity and intervention, and in defense of a strict construction of the Constitution. By 1800, political parties had assumed much of the extra-constitutional role they have continued to play in our history. It has been a fateful role, for it enables factions to determine policy, insofar as political parties determine policy, across the lines of electoral districts.

Parties early gained sway in the electoral college, i. e., electors were chosen on a party basis. But the constitutional mode for the voting of electors tended to thwart this. If all of a party's electors voted for the same men for President and Vice-President, there would be a tie between these two men, and the election would revert

to the House of Representatives. Indeed, this happened in 1800 and might have been expected to happen regularly thereafter. Instead, the Twelfth Amendment was ratified in 1804; it provided that each elector should have one vote for President and one vote for Vice-President. Thus, the way was prepared for party determination of candidates and for electors to become mere figureheads for their parties.

Additionally, states decided for a whole slate of electors. When, as happened shortly, the electors were popularly chosen, all the votes of a state were cast for the party's electors receiving a majority of the votes of the citizenry. Most of the electors might have been chosen in congressional districts, the remaining two in state-wide elections, thus dispersing the vote. This was not done. By having all of them chosen by a state-wide majority the way was opened to the forging of majorities by appeal to state-wide factions or interest groups. Political parties provided the instrument for factional use at the national level.

Early Abuses Insignificant

It would be a mistake, however, to make much of these early developments. They provided a potentiality for the factional use of government and for the concen-

tration of power. The Federal government was used for interest groups in the nineteenth century on occasion, most notably in the case of the protective tariff. But there were still many obstacles to concerted party efforts to carry out programs. Most of these developments had to do with the choice of a President. Members of Congress were still chosen in the way originally prescribed.

Nominally, congressmen adopted some party label, but there were few effective devices for enforcing party discipline. A congressman could vote for a program advanced by his party or not, as he chose, and only those within his district could discipline him. Even if one who had voted against most of the planks of his party's platform should be defeated in his district, it would be by no means clear that his failure to serve as a party man had led to his defeat. The President had little authority over congressmen; the Founders had tried, with considerable success, to make it so. Each branch was to be independent of the others. Moreover, the Constitution, as it was observed, placed great substantive limits upon what could be done by government, in any case. Many other changes had to be made before the government could be used for a sustained effort at social transformation.

Reform by Amendment

Three other constitutional amendments deserve mention. The Fourteenth Amendment, declared ratified in 1868, made all those born within the United States citizens of the United States. Also, it extended in other ways the authority of the Federal government. It prohibited the states to take life, liberty, or property without due process of law. Moreover, the amendment was rather vaguely worded, and this ambiguity has been exploited and amplified by the Supreme Court as it has used it as a basis for the extension of the sway of the general government. The Sixteenth Amendment, which authorizes direct taxes without reference to population, enabled the Federal government to enact an income tax, thus greatly increasing the revenue available to it.

But for the empowerment of factions, the Seventeenth Amendment was probably the most important of all. It was ratified in 1913, in the same year as the Sixteenth, and it provided for the direct election of Senators. Thereafter, Senators were to be elected by state-wide popular votes. Factions and interest groups could play roles in these elections now that had formerly been denied to them. A pivotal minority could provide the necessary votes for a

majority. An interest group with large numbers in it could virtually dictate the choice of a party candidate in an election. This result has been most noticeable in states which have several important minority groups, such as organized labor and racial minorities.

"Independent" Agencies

Most of the changes and accretions of power, however, have been accomplished without benefit of constitutional amendment. One of the most effective devices for evading the constitutional separation of powers and enabling the Federal government to exercise greatly expanded powers has been the so-called independent commission, e. g., the Interstate Commerce Commission, National Labor Relations Board, and Federal Communications Commission. Since these organizations will be treated in greater detail elsewhere, they need only be alluded to here. They have played a very important role in the attempts at social transformation, however. The intricate regulation which reformers have sought could hardly be encompassed in general legislation. The separation of powers made it very difficult to take action. The executive branch might apply legislation in ways not contemplated; the courts could, as they did frequently for many

years, nullify the action as a violation of due process, or some other constitutional protection. The independent commissions, however, frequently combined all these functions — legislative, executive, and judicial. Though their powers derive from Congress, they are nonetheless real.

The change in the role of the President, particularly as regards legislation, too, has been done without formal constitutional alteration. The President's formal legislative powers are mainly negative. He may veto bills that come before him. Except in foreign affairs, this is the extent of the grant of powers over legislation to him. (He is, of course, charged with faithfully executing the laws.) Strong Presidents in the nineteenth century were frequently men distinguished for their vetoes. Andrew Jackson and Grover Cleveland come readily to mind. But by the early twentieth century, as some Presidents became enthusiastic about meliorism, they began to perceive possibilities for the chief executive to take over much more of the leadership and initiative in legislation. Theodore Roosevelt showed the way to such leadership, but it was Woodrow Wilson who formulated the theory of presidential predominance in the government.

In his early writings, Wilson

indicated his regret that the President was "merely an administrator." On one occasion, he wrote:

If you would have the present error of our system in a word, it is this, that Congress is the motive power in the government and yet has in it nowhere any representative of the nation as a whole. Our Executive, on the other hand, is national: at any rate may be made so, and yet has no longer any place of guidance in our system. It represents no constituency, but the whole people, and yet, though it alone is national, it has no originative voice in domestic national policy.³

By the early twentieth century, Wilson had seen the way to change this situation. Since the President is the leader of his party, he may become the leader of the nation, or at least he

... has it in his choice to be. . . . His is the only national voice in affairs. Let him once win the admiration and confidence of the country, and no other single force can withstand him, no combination of forces will easily overpower him. . . . If he rightly interpret the national thought and boldly insist upon it, he is irresistible; and the country never feels the zest of action so much as

³ Quoted in A. J. Wann, "The Development of Woodrow Wilson's Theory of the Presidency: Continuity and Change," *The Philosophy and Policies of Woodrow Wilson*, Earl Latham, ed. (Chicago: University of Chicago Press, 1958), p. 58.

when its President is of such insight and calibre. Its instinct is for unified action, and it craves a single leader.⁴

Some of the devices by which the President's powers were expanded were inherent in the office, or so the proponents of presidential power have argued. The President is charged by the Constitution with notifying each Congress of the State of the Union. He is also authorized to recommend to them "such Measures as he shall judge necessary and expedient. . . ." He is commander-in-chief of the armed forces. He can make treaties, by and with the advice and consent of the Senate. His role in foreign affairs is, by the nature of these provisions, an eminent one. Wilson noted that when foreign affairs are foremost in national concern, the President's stature is apt to increase and his role expand. As commander-in-chief, the President is in a position of leadership in making war.

Foreign Entanglement

It is worth noting that the same Presidents who have been most determinedly devoted to melioristic reform have also been those who have gotten us most deeply embroiled in foreign affairs which usually led to war, that is, Presidents Theodore Roosevelt, Woodrow Wilson, Franklin Roosevelt,

⁴ Quoted in *ibid.*, p. 61.

Harry Truman, John Kennedy, and Lyndon Johnson. Nor is the connection entirely accidental. Embroilment in foreign affairs not only increases the role of the President in decision-making but it is more than likely to involve the United States in such wars as occur. Moreover, twentieth century wars have been leading occasions for the introduction of reformist innovations, regulations, and restrictions, and these can, and have been, blamed upon the exigencies of war.

This is not to say that Presidents have involved the United States in war in order to advance reform programs. If such a thing had occurred, it would probably be forever beyond the reach of historical proof.⁵ Since we lack such proof, the matter can be sufficiently explained in this way. Presidents with a penchant for intervention can most readily exercise it in foreign affairs, for the bulk of their interventionist powers lie in that realm. Intervention is likely to lead to war. Once the country is involved in

war, the President can use it as an occasion and opportunity for domestic intervention. The penchant to intervene, which is probably rooted in human nature in the will to power, is, of course, nurtured and provided with intellectualist justifications in meliorist ideologies.

The President as Lawmaker

The President's powers have been increased in a number of other ways. The incidental authorization in the Constitution for the President to recommend measures to Congress has served as a base for Presidents to take the initiative in legislation. Presidents in the nineteenth century did not utilize this much for promoting particular acts of legislation.

There were many reasons for this. The main one is that nineteenth century Presidents were not committed to extensive reforms. They did not conceive it to be their mission to transform American society. Had they thought otherwise, however, there were good and sufficient reasons for them to abstain from legislative leadership. The President's primary task is administrative, the execution of the laws. If he becomes involved in the making of particular laws, he may take positions which will unfit him for

⁵ Witness, for example, the spate of books during and after World War II attempting to prove that Roosevelt deliberately provoked the attack on Pearl Harbor. Yet, they prove only that he *might* have done so, that the policies he followed did little to inhibit a sneak attack. The chances are good that nothing more than this will ever be proved, for hidden motives are involved.

executing them, particularly if he has vigorously opposed measures that are subsequently passed over his veto. Congress might well resent presidential tampering with its prerogatives. The President's prestige would be at stake in the measures he promoted.⁶ Moreover, he does not have sufficient leverage over Congress to get his measures enacted. Its members are chosen independently of him.

Most of these objections and difficulties have, of course, been overcome or shunted aside in the twentieth century, for Presidents have taken over legislative leadership. Woodrow Wilson was the first to do so on a large scale, though Theodore Roosevelt had pointed the way. Wilson ran on the basis of a program called the New Freedom, and, once inaugurated, he proceeded to get the program through Congress. Since that time, Presidents have gone much farther in assuming legislative responsibilities. This reached a peak in two years: 1933 and 1965. In 1933 many of the bills which were passed by Congress were actually drawn by men in the executive department, sent to Congress, and, in the case of

some of them, passed without benefit of committee examination. By 1965, Congress had come to accept the presidential initiative as standard procedure. The traditional roles of the two branches had been reversed; Congress could exercise what amounted to a veto on bills proposed by the executive, but the initiative had passed to the President.

Platforms for Change

The difficulties of doing this were overcome in various ways. In the first place, Presidents did become reformers. It became customary for presidential candidates, at least Democratic ones, to set forth a program of changes which they expected to institute if elected. These programs have often been given names, as New Freedom, New Deal, Great Society, and so forth. Not only have presidential candidates run on these, but congressional candidates as well. Once elected, a President is then assumed to be committed to rendering these into bills which he is to push through Congress.

Secondly, the prestige of the office of President has been built up, particularly in wartime. That of Congress has suffered by comparison. When Congress has failed to pass presidential bills, it has been labeled obstructionist, and has suffered from both subtle and not

⁶ In parliamentary systems, of course, the Prime Minister does take such leadership. But if he is defeated on an issue he considers crucial, he may resign or be forced to do so. No such alternative exists for a President.

so subtle vilifications by columnists and assorted publicists. In short, Presidents—with assistance from their numerous helpers in the media of communication—have found ways to advance particular proposals without losing face if they fail. Instead, Congress is supposed to lose face by failing to pass them.

Third, Presidents have found ways to bring sufficient congressmen to heel to forge majorities for much of their legislation. In the main, these consist of patronage, spoils, and pork barrel. Congressmen are brought around by promises of government projects to be located in their districts, getting their men appointed to office, a new dam, a new post office building, a new Federal office building, a defense plant, a government contract, and so on, *ad nauseam*.

On the face of it, it is difficult to imagine a more ironic development than this latter one. To Congress belongs the power of appropriation, as well as the initiation of acts. Yet, congressmen truckle to the President to get a portion of the largess they have voted to distribute. There is an explanation for this, however, and it will get us to the nub of the matter. A congressman is one man among many men. Theoretically, his vote counts for no more than any other,

and in the course of a few years of legislating, his district should come out on a par with all other districts in getting Federal largess. Of course, not all men are equally influential in Congress, some have important seats on crucial committees, others not. Such a congressman can parlay his influence in Congress into sizeable gains for his district by also serving the President faithfully. Presidential discretion in handing out benefits greatly augments what a congressman could get on his own.

Budgetary Difficulties

These are but accommodations, however, by which some congressmen get their quid pro quo for yielding up their legislative prerogatives. The prerogatives had to be yielded up as Congress gave its assent to the building of an ever vaster Federal establishment. The fact is that it is no longer practicable for Congress to devise a budget, or, what amounts to the same thing, initiate appropriations. Congress cannot oversee the vast Federal establishment effectively; it cannot devise the intricate regulations and restrictions which now govern the lives of Americans. It cannot do the work which a huge Federal bureaucracy now performs, nor could any other legislative body.

The flight from the Constitution does not consist simply of the power which factions can now exercise, of the concentration of power, or of shifts in the relative weight of the branches of government. It stems from the overriding of the substantive limitations upon the powers of the Federal government. In short, much of the huge Federal establishment has been built by the exercise of powers that were not granted in the Constitution. Most of the regulations, restrictions, expenditures (excepting for defense) and far-flung activities were not authorized by the Constitution. Nor have they been authorized by amendments. Instead, they have been acquired by reading into the Constitution what is not there, and promulgating mystifications about what is there.

A Word for the Court

Those seeking a scapegoat to blame for the flight from the Constitution may find it convenient to place the burden of responsibility upon the Supreme Court. Yet such an historical interpretation would be a gross injustice to many of the men who have made up that august body. It is true that the majority of the Court have now joined the flight from the Constitution, may even be in the forefront of it, but this is a recent de-

velopment. The members of all branches of the government are charged with observing the Constitution, the members of Congress and the President no less than the courts. A majority of either house of the Congress can just as surely nullify a bill on the grounds of its unconstitutionality — by refusing to pass it — as the Supreme Court can nullify an act of Congress — by refusing to enforce it. The President can veto a bill on the grounds of its unconstitutionality. It could still be passed over his veto, but this would be no reason for a President to fail to do his duty by the Constitution. It is true that the Supreme Court has the last say, but to the extent that the flight from the Constitution has been by the regular legislative route, the courts have only concurred in flights already made by other branches.

Moreover, the Supreme Court held out much longer against the general flight from the Constitution than did any other branch. Initially, it greatly circumscribed the activities of the Interstate Commerce Commission, made of limited effect for a number of years that strange piece of legislation known as the Sherman Antitrust Act, only very reluctantly accepted the privileged status of organized labor. It did not readily

concur in the piecemeal absorption of property rights by government in regulatory measures. The Federal courts held out for four years or more against the drastic measures of the New Deal after the Congress had become a rubber stamp for executive measures. It nullified the central acts of the early New Deal when it invalidated the N.R.A. and A.A.A.

But there are limits to what can be expected of men, and those limits apply to justices of the Supreme Court as well as other men. For years before 1937, a literary assault upon the Constitution had been going on. Writers had proclaimed that the Constitution was itself a class document, that it had been drawn by well-to-do merchants and planters to serve their interests. It was outmoded, others said, perhaps well enough suited to an agrarian society but hardly fit for an industrial one. New times require new measures, other men proclaimed. A new outlook had been developed; in terms of it government was supposed to act in accord with the needs of the moment, not in accord with some "ossified" eighteenth century "piece of paper." In theory, the Court's position is secure; in practice, it is not certain how

long it can hold out against the combined Congress and President. The men who make up these branches are popularly elected. They are the voice of the people, so the argument ran. Could nine men withstand the wrath of a nation, prevented from going in the direction it wanted to go? The Court might have held out with impunity. At any rate, it did not. After 1937, it capitulated, for whatever reasons following Roosevelt's ill-fated Court Reorganization Bill (popularly known as his "Court Packing Scheme"). Since that time it has only rarely called a halt to some particular reconstructionist activity.

The above is to set the record straight. The role of the Court in defense of the Constitution when the other branches were irresponsibly evading its limitations has gone unsung. The point needed to be made, too, that, legends to the contrary notwithstanding, the Court is not the sole keeper of the Constitution. This is a solemn responsibility enjoined upon those who serve in all branches of the government. The courts have, however, played an increasing role in the flight from the Constitution, and that story needs to be told also. ◆

*The next article in this series will further describe
"The Flight from the Constitution—II."*

Adenauer's Memoirs

KONRAD ADENAUER'S *Memoirs 1945-53* (Regnery, \$10) is a work that is best described by such adjectives as "dogged" and "slogging." But if there is no genius in the telling of this story, there was genius in the way Adenauer, as the postwar leader of West Germany's Christian Democratic Union, lived it. A seventy-year-old ex-Mayor of Cologne when the war was nearing its end, he was the figure on whom the history of West Germany — and therefore the entire West — was to pivot. His life since 1945, both as party leader and as his country's Chancellor, may be taken as a virtually complete refutation of the materialist, or economic determinist, theory of history.

If it hadn't been for his presence on the scene, West Germany would surely have returned to the

so-called comity of nations as a Marxist state, or group of states, complete with nationalized industries, planning boards, directed labor, and all the rest of it. This is what Dr. Schumacher's Social Democratic Party was proposing, and this is what the British, who were in charge of Adenauer's state of North Rhine-Westphalia, were disposed to accept. After all, there was a labor government in London after Churchill's dismissal in 1945, and "planning" was what Clement Attlee, Ernie Bevin, and Herbert Morrison, the British socialists, thought they understood.

As a party with a long German tradition, the Social Democrats should have walked away with the crucial election in 1949 that signaled the rebirth of a German nation. But Adenauer, the Rhinelanders who had been thrown out

of his job as Mayor of Cologne by the Nazis, tapped spiritual resources that had been dormant in Germany for well over a decade. He was not an economist himself, but, as a Christian philosopher, he believed in the primacy of the freely-choosing individual. He went up and down West Germany preaching that the sort of centralized economic control that was advocated by Dr. Schumacher's socialists would not differ, in essence, from what the Germans had known under Hitler. It was his genius as a politician to recognize the voltage in the phrase, "the social market economy." Erhard, the present Chancellor of West Germany, had brought this to him as a disciple of the Roepke school of neoliberal economics, and it was semantically right for the times. For, in its implicit assertion that the market creates social values out of individual and group competition, the new phrase challenged the Marxist shibboleths on a ground that could appeal to the Christian conscience.

The Market Economy

As Erhard, who was to become Adenauer's Minister of Economics, put it, the social market economy would produce a maximum of well-being and social justice by letting free individuals make an efficient contribution to an order

that embodies a social conscience. Where state welfare was necessary to sustain war cripples in their hospitals, and to provide for the stream of refugees and displaced persons from the Communist East, the affluence created by the market economy could be taxed. A government committed to social market competition would see to it that taxes were not levied in a way to discourage incentive, and it would also insist on an independent control of monopolies to safeguard genuine competition.

No doubt the coupling of the adjective "social" with the noun "market" could be utilized to justify the wildest aberrations of state welfarism. We in America are well aware of what can be done by canny manipulation of the "general welfare" clause of the Constitution. But the Christian Democratic Union governments of West Germany have not been sophisticated in their application of the Roepke-Erhard theories. They have provided incentives to invest, they have steered clear of inflation, and they have done more than their part in the attempt to create a wide free-trade area in western Europe.

A Touchy Situation

Looking back on the history of 1945-53 which is covered in this most impersonal of autobiogra-

phies, the whole story may seem inevitable. The Soviet Russians, by their aggressive post-1945 behavior, forced the nations of the West to regard West Germany as their own particular buffer against communism. It would have been silly to pulverize a buffer by applying the Morgenthau plan for turning West Germany into a region without industry; this would have created such chaos that the Communists would have been able to take over from within. So the decision to rebuild the British, American, and French zones as a viable modern economic unit was made. The Marshall Plan took hold at the end of 1948, raw materials poured in, individuals were permitted to start their own businesses, and to support everything else there was a currency reform.

Yet it was actually touch and go when it came to creating a form for the first new national government in West Germany in 1949. After the Christian Democrats had won their surprising victory, many in Adenauer's own party wished to form a coalition with the Social Democrats. The Social Democrats were willing, but they demanded the Ministry of Economics as their price for collaboration. After all, they held 131 seats in the new Bundestag as against the Christian Democrats' 139. Potentially, this made them

an extremely powerful opposition, and in a parliament in which ten separate parties were represented there was always a possibility that they might have their way. So they felt justified in wishing to have the power to create the industrial shape of the new nation.

Principle Prevailed

Adenauer, however, was convinced that the election constituted a mandate for a generally free economy. The Social Democrats and the Communists had polled eight million votes, which, presumably, had been cast for socialism of one kind or another. But thirteen million votes had been cast for the antisocialist parties. The CDU's Minister President Altmeier of the Rhineland-Palatinate spoke plausibly for a coalition with the Social Democrats, and his words were greeted with applause. He raised the fear that a strong Social Democratic opposition in the Bundestag would use nationalist arguments to attack every effort at understanding with the occupying powers.

But Adenauer insisted that a coalition would be taken as a breach of faith by a vast majority of the voters if the Social Democrats were to get the Ministry of Economics as their share of the bargain. "There is a great difference," he said, "between our-

selves and the Social Democrats regarding the principles of Christian conviction. Moreover, there is an unbridgeable gap between ourselves and the Social Democrats in the matter of economic structure. There can only be either a planned economy or a social market economy. The two will not mix. In view of these differences it would not even be possible to have a Christian Democrat as Minister of Economics and a Social Democrat as Under-secretary of State. We could never get things moving."

The words of Der Alte Adenauer were convincing, and a coalition of anti-Marxist parties followed. So it was Erhard, and not the Social Democrats' Professor Nolting, who took charge of West Germany's economic future. The German "miracle" followed. And when relative stagnation and inflation continued to dog the efforts at recovery in "Keynesian" nations such as Britain, the Erhard-supported economies of Roepke—and, incidentally, the Mt. Pelerin Society—began to take on a luster which nobody save a few FEE die-hards would have deemed possible.

Adenauer's reconstitution of far-off things and battles long ago lack Churchillian sparkle. But the events create their own drama. This is a document for FEE-ers to read with pride. ◆

► **THE INTEMPERATE PROFESSOR AND OTHER CULTURAL SPLENETICS** by Russell Kirk. (Baton Rouge: Louisiana State University Press, 1965. 163 pp. \$5.00.)

Reviewed by Robert M. Thornton

RUSSELL KIRK's credentials as a critic of higher education are impeccable. A well-educated, widely-traveled man of letters, he has observed at first hand teachers and students and administrators on the 200 or more campuses where he has lectured in the past dozen years. He does not like what he sees.

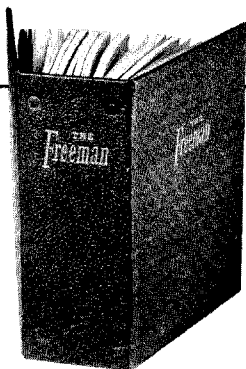
Many professors are more interested in indoctrinating those sitting under them than in developing a disinterested love of truth. Embracing relativism and/or nihilism, some teachers are eager to upset whatever ideals and convictions their students bring with them from home. Students *should* learn to think for themselves, but our institutions of learning were founded to conserve and extend the nation's heritage, not to destroy it.

Dr. Kirk, unlike many today who write on the subject, understands education to be, not the pouring of facts or techniques into a young person's head, but a spiritual process, if you will—a certain relation between teacher and pupil

and the object of their studies. This being the case, the remedy for the ills of education is not more money, bigger plants, or more classroom gimmicks; and definitely not more funds from Washington which will be followed, quite naturally, by Federal controls.

The most provocative essay in this collection of fourteen is, in my opinion, "The Rarity of the God-Fearing Man." We like to be told that God is love, a "Chum, never to be dreaded because He is indiscriminately affectionate." This notion would have scandalized the tough-fibered Calvinist who settled our land and developed its institutions. Such a man, "knowing that divine love and divine wrath are but different as-

pects of a unity, is sustained against the worst this world can do to him; while the good-natured unambitious man, lacking religion, fearing no ultimate judgment, denying that he is made for eternity, has in him no iron to maintain order and justice and freedom. . . . If the fear of God is obscured," Kirk continues, "then obsessive fear of suffering, poverty, and sickness will come to the front; or if a well-cushioned state keeps most of these worries at bay, then the tormenting neuroses of modern man, under the labels of 'insecurity' and 'anxiety' and 'constitutional inferiority,' will be the dominant mode of fear." This is spiritual bondage, and once it settles in, political and economic enslavement are not far behind. ♦



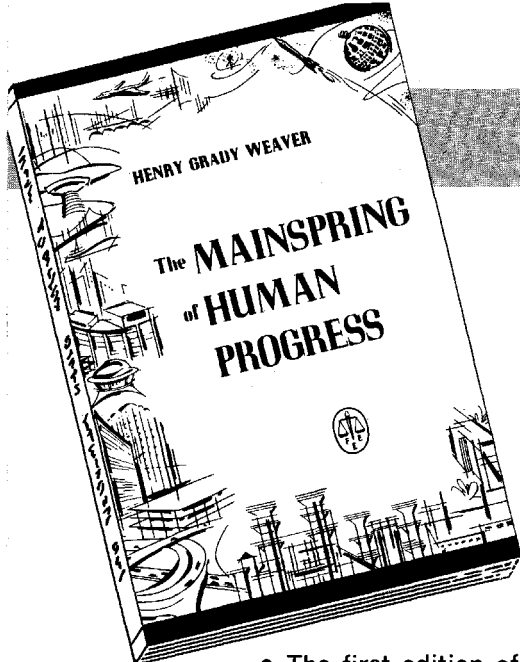
HANDSOME BLUE LEATHERLEX

FREEMAN BINDERS

Binders with Issues inserted
for Calendar Years 1963 and 1964:

Either year	\$ 5.00
Both	10.00

Binder only, \$2.50 each



NOW AVAILABLE

in a new, attractive,
low-priced paperback:

Single copy	\$.95
3 copies	2.00
10 copies	6.00
100 copies	45.00

Also available in
standard clothbound volume, \$2.50

• The first edition of MAINSPRING (279 pp., indexed) was published in 1947. Since Mr. Weaver's passing, this great book has been the property of FEE. Previous to this new paperback edition, 350,000 copies have been printed.

One large company's circulating library for employees required 150 volumes to meet the demand.

Based on FEE's experience, MAINSPRING tops all books as a starter for any aspiring student of liberty. Easy reading — indeed, exciting — the beginner becomes so interested in freedom that he can hardly help pursuing the subject further.

FEE's recommendation: Keep a good supply of the paperbacks on hand to present to any individual who shows a spark of interest in freedom.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

THE *Freeman*



TO ESTABLISH A DESPOTISM

■ A general State education is a mere contrivance for moulding people to be exactly like one another: and the mould in which it casts them is that which pleases the predominant power in the government, whether this be a monarch, a priesthood, an aristocracy, or the majority of the existing generation; in proportion as it is efficient and successful, it establishes a despotism over the mind, leading by natural tendency to one over the body.

J. S. MILL, On Liberty

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE *Freeman*

IDEAS ON LIBERTY

SEPTEMBER 1966

The Safety of the People	<i>Ben Moreell</i>	3
The Voice of a Brother's Blood	<i>Kenneth W. Sollitt</i>	14
Dr. Johnson's Defense of Property	<i>Stephen R. Vallance</i>	16
The Vital Secret	<i>Paul L. Poirot</i>	23
The Case for Willing Exchange	<i>Leonard E. Read</i>	25
Socialism, U. S. Style	<i>Henry Hazlitt</i>	33
The Flight from Reality:		
24. The Flight from the Constitution, II	<i>Clarence B. Carson</i>	35
Freedom to Sift and Winnow	<i>Loyal Meek</i>	50
Values, Exchange, and Profits:		
The Bedrock of Economic Science	<i>Frederick B. Jennings, Jr.</i>	52
Books:		
Too Much Secrecy	<i>John Chamberlain</i>	59
Other Books		62



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



WHAT'S INFLATION?

Send for your copy of President Joe Crail's
FREE informative SPEECH and find out what
YOU can do to stop inflation.

Individual financial security is one way to help keep our nation
economically strong. A Coast Federal Savings account is designed
to encourage you to save.

SAFETY

Sound, Conservative Management
Insured Savings Accounts

CURRENT RATE...

HIGHER EARNINGS

5

$\frac{1}{4}$ %
minimum
on regular
savings
accounts

5

$\frac{1}{2}$ %
systematic savings—
and on 3 year accounts
of \$5,000 to \$9,000 in
multiples of \$1,000

5

$\frac{3}{4}$ %
on 3 year accounts
of \$10,000 or more
in multiples
of \$1,000

CONVENIENCE

Save-by-Mail pays AIR MAIL postage both ways

COAST FEDERAL SAVINGS AND LOAN ASSOCIATION

Department F1, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of "What's Inflation?"
☐ I enclose my check (or money order) for \$_____
☐ Please open a Coast Federal Savings account—
☐ Individual
☐ Joint in the name(s) of

NAME _____

STREET _____

CITY _____ STATE _____

6-112A2



COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

- ✓ Admiral Ben Moreell reminds us of Cicero's observation that the safety of the people depends upon their knowing and observing the Higher Law p. 3
- ✓ From the Biblical account of Cain and Abel, Dr. Sollitt draws a lesson: that we start living for the ideals for which young Americans are asked to die on far-flung battlefields p. 14
- ✓ More than two centuries ago, Dr. Samuel Johnson offered arguments in defense of property that are well worth reviewing today p. 16
- ✓ And with a better understanding of private property and respect for life and human dignity, perhaps we may then explain to others the vital secret of American progress p.23
- ✓ Leonard Read suggests that the great differences among world powers may be more clearly understood in terms of willing exchange versus coercion p. 25
- ✓ In the subsidized traffic snarls of Metropole, Henry Hazlitt finds working examples of the failure of socialism in the United States p. 33
- ✓ In this chapter, Professor Carson explores in further detail the departures from the Constitution by way of numerous Court decisions in recent years p. 35
- ✓ How those most concerned about academic freedom can generally ignore or even deny the freedom of the market is the puzzle pondered by a Milwaukee editor p. 50
- ✓ And a Harvard student takes time off from the macro-economic whirl of the campus to review the basic marginal utility concepts of values, exchange, and profits p. 52
- ✓ Donald I. Rogers' *The End of Free Enterprise: A Manifesto for Capitalists* affords fellow columnist John Chamberlain grist for the Reviewer's Notebook p. 59
- ✓ *The Most of Malcolm Muggeridge and Faulkner in the University* are the latest choices by reviewer Thornton p. 62



A MONTHLY JOURNAL OF IDEAS ON LIBERTY

SEPTEMBER 1966

Vol. 16, No. 9

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1966, The Foundation for Economic Education, Inc. Printed In U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "Socialism, U. S. Style," and "The Flight from Reality."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

BEN MOREELL



THE SAFETY OF THE PEOPLE

IN LIGHT of the turmoil and chaos which now enmesh our nation, at home and abroad, and the consequent bewilderment of our people, it is important to review our policies and practices over the past half century to determine, if we can, the causes of the current confusion.

Starting practically "from scratch," we became, in little over a century, the greatest nation in recorded history in terms of spiritual stature, individual freedom,

material productivity, cultural progress, biblical charity, and the security of our citizens and their property.

But, as we prospered, we lost sight of the fact that the blessings we enjoyed are not self-perpetuating, that they are premised on certain spiritual and cultural conditions which this generation did not create, which we inherited, and which we are losing! We are consuming our capital! That is the surest road to bankruptcy in business. And I am just as sure that our national well-being cannot outlast the current exhaustion of our spiritual and cultural capital!

In his classic work, *De Legibus*, Cicero, greatest of Rome's jurists

Admiral Moreell, Civil Engineer Corps, United States Navy (retired), was organizer of the famed Seabees of World War II, and served as Chairman of the Board of Jones and Laughlin Steel Corporation from 1947 to 1958.

This is a slight condensation of his June 4, 1966, address to the graduating class at Grove City College in Pennsylvania, of which he is a Trustee.

and philosophers in the law, set forth this proposition:

"The safety of the people shall be the Highest Law."

That dictum stemmed from the concept that there is a Higher or Natural Law which transcends all man-made law. The idea originated with the ancient Greeks, was elaborated by Aristotle, and later adopted by the Stoics from whom it was taken over by Cicero and incorporated into the Roman law.

It was accepted by our Founding Fathers for inclusion in the Declaration of Independence, as evidenced by their avowed reliance on "the laws of Nature and of Nature's God" as sanction for their claim to that "separate and equal station—among the powers of the earth" to which a people is entitled when it becomes necessary—"to dissolve the political bands which have connected them with another."

Professor Edward S. Corwin, noted scholar and teacher of jurisprudence, in his essay, "The 'Higher Law' Background of American Constitutional Law," wrote:

There are . . . certain principles of right and justice which are entitled to prevail of their own intrinsic excellence, altogether regardless of the attitude of those who wield the physical resources of the community. Such principles were made by no human hands. . . . They are external

to all will as such and interpenetrate all reason as such. They are eternal and immutable. In relation to such principles, human laws are . . . merely a record or transcript, and their enactment an act not of will or power but one of discovery and declaration.

Later, with respect to the Ninth Amendment of the Constitution, which validates those rights of the people which are not specifically enumerated, he wrote:

Such rights . . . owe nothing to their recognition in the Constitution. Such recognition was necessary if the Constitution was to be regarded as complete.

Thus the legality of the Constitution, its supremacy, and its claim to be worshipped, alike find common standing ground on the belief in a law superior to human governors.

That concept was endorsed by the late President Hoover in his address to the 1956 Republican National Convention. He said:

Those great documents of 180 years ago from our Founding Fathers must still be the foundation of our American way of life. . . .

I have faith that there are principles which neither communism, nor socialism, nor neutralism, nor other evil ideas, nor even the march of time, can defeat. Those truths came into the world along with the shooting stars of which worlds are made. They are as inevitable as the exist-

ence of the Supreme Being, the forces of gravity, and the ceaseless struggle of mankind to be free.

Limits for Man-Made Law

Those "principles of right and justice" fix the limits within which man-made law must function if we are to avoid doing violence to the higher law of Nature.

The Declaration defined those limits as follows:

We hold these truths to be self-evident: That all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness; that to secure those rights, governments are instituted among men, deriving their just powers from the consent of the governed; that whenever any form of government becomes destructive of these ends, it is the right of the people to alter or abolish it and to institute new government. . . .

The preliminary drafts of the Declaration and contemporary documents make clear that the phrase "all men are created equal" was intended to denote equality before God and before the law, not an impossible equality of natural talents and consequent equality of material possessions. Similarly, it was intended that all men should be free to pursue happiness, the

responsibility for catching up with it remaining with the pursuer. Happiness, per se, is not a natural right but something to be earned by individual effort, a concept which differs materially from that of "The Great Society" zealots who now steer our Ship of State.

Those basic principles were to establish the framework for a "government of laws and not of men." Our Central Government was to be one of strictly limited powers, specified in a written constitution. Furthermore, those powers were to be augmented, extended, eliminated, reduced, or redistributed only by the procedures prescribed in the Constitution itself, not by judicial interpretation, legislative mandate, executive decree, nor by arbitrary seizure which has no legislative sanction but is based on the theory that certain undefined powers inhere naturally in the presidency. All of these devices have been used in recent years by power-hungry and impatient government officials to rationalize their violations of constitutional prohibitions and limitation on their authority.

The texts of the Declaration and the Constitution, the debates in the Constitutional Convention, in the Congress and in the state legislatures, as well as contemporary records, notably the sermons of the colonial clergy, indicate

general agreement that, broadly speaking, the functions of the Central Government should be limited to the following:

1. Protection of the citizens' lives, limbs, liberties, and livelihoods, that is, their honestly acquired property, against aggression from without and internal disorder;
2. Dispensation of equal justice under law; and
3. Keeping the records incident thereto.

Other than these, the people were to be free to pursue their own interests, provided this did not lead them to trespass on the rights of others.

It was held that such limitations on government powers could be effective only in a social order where there is a generally prevailing concept of the nature of the universe and how it is ordered, and the nature of man and his place in that universe; that concept being defined as follows:

1. Man has inherent and inalienable rights, bestowed on him by God, which are in conformity with universally valid and eternal moral laws;
2. All just government powers are derived from the citizens by voluntary delegation;
3. To avoid trespassing on the individual's rights, there must be

a free market for goods, services, and ideas, into which government must not intrude except to protect those rights; and

4. For every natural right there are collateral responsibilities and moral duties, imposed on the individual, to make his conduct conform to the code set forth in such stern admonitions as The Ten Commandments, The Sermon on the Mount, and The Golden Rule.

On this foundation, our people erected the structure of a great social order which, until recent decades, stood as a beacon of hope for the future of all mankind.

Squandering Our Legacy

How well have we managed this heritage? I believe my generation has squandered its legacy. We have permitted the superstructure of this citadel of freedom to be ravaged and its foundations eroded to the point where there is danger of total collapse.

Our intense pursuit of profit and pleasure left little time or inclination to reflect on the dismal records of some great civilizations of the past, best exemplified by the tragic decline and fall of the Roman Empire. This debacle resulted when "the safety of the people" was no longer vested in obedience to "the Highest Law" but had given way to ruthless

competition for political or economic power, an essential feature of which was corruption of the people by ever-increasing government largesse in the form of food, clothing, shelter, entertainment, "bread and circuses." These were the prototypes of our present-day multifaceted "war on poverty," publicly-financed stadiums, playgrounds, recreation areas, theaters, cultural centers, and a myriad of other "Great Society" subventions.

All of us must share the blame for this betrayal of our trust. Several years ago in a public address I reproached our national legislators for their seduction of the people by government "hand-outs." I received a letter from a prominent Senator, a friend of long standing, in which he said, "Don't be too hard on us. We give you the kind of government you demand — or will tolerate."

Over the past fifty years we have propagated a child-like faith in the competence of government to achieve any kind of material, economic, social, or moral purpose. Implementing this faith we have stood by, meekly, while government seized authority at an ever-increasing pace, centralizing it in Washington, where it would be shielded from the scrutiny of those from whom it had been taken; and this is always done

under the pretext that it is solely for the good of the people!

But even more destructive is the fact that, as government functions today, decisions on matters of vital import to the security and well-being of our nation are most frequently taken in light of their probable political effects, rather than being based on purely economic, social, or national security considerations.

It has been said that the people never give up their liberties except under some delusion. In this case the delusion is that government which, after all, is operated by ordinary mortals like you and me, not by gods or supermen, has some superior competence in the realm of economics, some mysterious magic multiplier of wealth, some power to open the doors to a vast store of economic goods which can be had without working for them, merely by voting for them!

Few of us are completely immune to such delusions, or to the human passions which they arouse: apathy, fear, greed, and violence. But those who see the terminus of this "devil's highway" are duty bound to sound the alarm.

Let us look briefly at some areas where we have departed from our time-tested principles, and thus jeopardized "the safety of the people."

The Evils of Inflation

Perhaps most obvious is the debauchery of our currency. Largely as the result of profligate spending and shiftless fiscal and monetary policies, at home and abroad, our gold reserve, intended to insure national solvency and to promote dynamic economic equilibrium, has been depleted to the point where our government resorts to frantic maneuvers in the international money marts to avoid devaluation of the dollar.

Our maudlin foreign aid programs have served principally to buttress unstable authoritarian and socialist governments, to line the pockets of dictators and their henchmen, and to subsidize cut-throat foreign competition with our own industries.

Our public debt is at an all-time high and increases each year. In addition, there are hidden obligations accumulated under the social security and government retirement systems, and as guarantees of mortgages and other indebtedness, which amount to hundreds of billions, the total of Central Government liabilities alone having been estimated recently at 1½ trillion dollars, that is, \$1,500 billions, or \$7,500.00 for every man, woman, and child in the nation!

The debts of states, subordinate units of government, and public "authorities," as well as private

indebtedness have kept pace with that of the Central Government. Our nation is mortgaged to the hilt! And the process continues. Unbalanced national budgets have become a way of life. During the past five years the National Budget has averaged an annual deficit of \$6.3 billions. Since 1939 inflation has reduced the purchasing power of our dollar to about 43 cents, with commensurate decreases in purchasing power of the peoples' savings accounts, pensions, insurance policies, annuities, and other fixed income investments.

Increases in the costs of replacing obsolete industrial equipment and for new equipment to expand production reflect the current inflation. These, together with our subsidization of foreign industries, have impaired our ability to compete in the world's markets, including even those of our own country, and thus to provide decent jobs for a rapidly growing working population.

The culprit that creates dollars out of thin air and pumps them into our economic blood-stream is our own out-of-bounds government. During the past five years our purchasing media (currency and checking accounts) have increased at an annual rate of more than 6 per cent, the highest for any such period since World War

II. And the rate is increasing, the rate during the past year being 8.9 per cent.

But the harsh realities of politics will not permit government to admit its guilt. So government looks for a scapegoat, preferably one who will be a politically profitable whipping boy. In this case it is private industry, whose managers have tried earnestly to protect their owners' properties against inflationary erosions by proposing modest increases in the prices of their products.

The government propaganda machine is then turned on full-force in an effort to delude our people into believing that private industry is not the unfortunate victim of inflation but is the greedy villain who caused it!

Initially inflation weighs most heavily on the thrifty citizens who, largely through fixed income investments, have tried to provide a competence for their old age or security for their loved ones. But, eventually, it involves the entire nation. The resultant chaos can be ended only by dictatorship and ruthless suppression of the rights of the people. A dictator has been defined as the receiver for a nation gone bankrupt!

I have dwelt at some length on this subject because debauchery of the currency is so pervasive that, ultimately, no one can en-

tirely escape its destructive effects. Our government, whose fiscal and monetary policies and practices induce inflation, stands guilty of flagrant violation of the Highest Law — thus jeopardizing the safety of the people!

The Crisis of Morals

Not unrelated to the debauchery of our currency is the national crisis of morals and moral courage.

Our national crime rates, notably crimes of violence, are skyrocketing, as are the rates of divorce, juvenile delinquency, illegitimate births, and family desertions. There are all-too-frequent evidences of corruption in high places in public and private life. We are demoralized by an apathetic acceptance of low standards of conduct of prominent persons and of the general public; an increasing tolerance of openly flaunted pornography in the theater, books, periodicals, recordings, movies, and television; the deterioration of family life; derision of religion and spiritual values; and downgrading of the individual as a responsible creature of God, sovereign in his natural rights, having personal worth and dignity, deserving of respect because he is self-respecting and respectable.

Our situation is more precarious because we do not receive support from those to whom we look for

help. We urge people to go back to church; but there they frequently find that the forces which have undermined our traditional beliefs have infected the very source of those beliefs, the church itself!

Many of our prominent and articulate churchmen and some of our most influential church bodies favor socialization of our national life and urge that more power be placed in the hands of government. Others have sought to make the churches over into a political force to put pressure on legislators. Many to whom we look for guidance out of the morass of materialism and state-imposed humanism appear to have "made a deal" for a partnership between God and Caesar, with God cast in the role of a very junior partner.

Others assert with the assurance born of ignorance that "God is dead, and man has inherited his throne". . . weak, witless, sinful man, frequently unable to resolve the problems of his own small household, but supremely confident of his competence to plan and direct the orderly functioning of the Cosmos!

Effective Leadership Stems from The Power of Example

I have long believed that personal example is the most powerful element of effective leadership,

for good or for evil. A fair reading of the record leads to the conclusion that, in its role of Robin Hood, our giant government has provided the worst kind of moral leadership for our people. Robin Hood may have been impelled by the most altruistic of motives — but he was still a thief! Today the "powers that be" neatly gloss over the fact that when people vote for legislators who promise them "goodies" at the expense of those who worked to produce them, they become partners with government in thievery! More's the pity that such legalized larceny has the sanction of many high government officials who urge the voters to "come and get it!"

Many politicians now run for office on the platform, "I can get more from the government for you." But they do not mention what government must first take from you and others who produced the wealth. President Johnson had at least the virtue of frankness when he stated, "We are going to take from those who have and give it to the have-nots."

In a recent detailed study of socialist Sweden, commenting on public housing, the author wrote: "Here, as well as in other spheres, personal corruption and indifference to laws are the results of state intervention in the functioning of the free market economy."

Civil Rights and Moral Wrongs

Our social order is subjected to massive stress as government seeks to impose legal curbs on freedom to use or dispose of one's property and the right to choose one's associates. Justifying the means they propose by the ends they seek, public officials and prominent private citizens, including many of our clergy, encourage violation of those laws which one does not like, as well as civil disobedience merely for its nuisance value, and illegal seizures of private property. All such acts constitute trespass on the rights of others and are "civil wrongs"! They point the way to anarchy and, ultimately, to dictatorship!

Our judiciary frequently shows excessive concern for the civil liberties of hardened criminals at the expense of the moral and legal rights of their innocent victims. Similar tolerance is displayed toward union officials who order or condone acts of violence on persons and property by their subordinates.

We appear to have reached the point where the only license we need for the perpetration of civil wrongs on a law-abiding and peaceful citizenry or for the obstruction of lawful commerce is willingness to join a picket line and carry a placard with a legend which heaps abuse on those who

have incurred our displeasure!

Giant Government in Washington grows at the expense of state sovereignty and individual rights. The Central Government now owns more than 34 per cent of the land area within the boundaries of the fifty states, it owns and operates more than 3,000 tax-free commercial activities in competition with its own citizens, it dispenses more than 25 per cent of the national income, and it grows apace! Such massive intrusions into the affairs of the once sovereign states and of the people, many clearly in violation of the Constitution, impair economic freedom, discourage prudent venture capital, impede development of private enterprise, and compromise the safety of the people.

We appear to be suffering a paralysis of will which saps our courage, moral and physical. We are being transmuted from a God-fearing, energetic, self-reliant, confident, and venturesome people, free and independent, into a nation of timid dependents, insecure, apprehensive, fearful of incurring the displeasure and reprisals of our political masters to whom we are told to look for food, clothing, shelter, medical care, education, entertainment, and security from the cradle to the grave. And to receive those bounties, we need only surrender con-

trol of our lives, our fortunes, and our sacred honor!

Our Foreign Policy

The emotions which paralyze our wills in domestic affairs have infected our courage and integrity when dealing with other nations. On the international scene, compromise of principle, appeasement of blustering bullies, support of cruel oppressors, intervention in the internal affairs of friendly nations, and surrender to blackmail, mark our conduct. Moral principle is sacrificed on the altar of expediency to achieve the promise of a dubious security. Any dictator who wishes to rub our nose in the dirt for political profit or personal pleasure does so with impunity, secure in the knowledge that when he is ready to trade we will buy him off with generous allocations of foreign aid.

Little wonder, then, that Khrushchev was quoted as having remarked on his return from his trip to America, "You spit in their faces and they smilingly wipe it away and say, 'The dew is very heavy today.'"

In the Vietnam war it appears that we are exerting every effort to avoid achieving a clear-cut victory in order to induce the communists to come to the bargaining table where the first installment of a generous payoff, budgeted at

one billion dollars, awaits them! While the arrogant aggressor is leisurely making up his mind, we continue pouring men and material into the venture! Here one must ask, "What's wrong with victory, since victory is the only sure way to end both the aggression and the drain on our human and material resources? And if victory is politically inexpedient why not withdraw and end the blood-letting and the waste?"

We are not respected by our enemies, by the so-called neutrals, nor by our professed friends. In spite of generous concessions in all areas, "Yankee Go Home" has become an international slogan. Unruly mobs, unrestricted by police or other public authorities, attack our embassies, legations, consulates, libraries, and other installations and menace the safety of our representatives.

To show our complete confidence in the honor of dictators who have repeatedly repudiated their treaty obligations, our government has proposed a long-range program for total disarmament of all nations, in which we are now taking the lead, unilaterally.

I am under no illusion. I know that a Jeremiah is without honor, especially in his own country, when the people become servile and insensitive to moral wrongs under the narcotic effects of a false pros-

perity, buttressed by massive government seductions and propaganda. But those who feel, as I do, that the safety of the people is in jeopardy are morally bound to say so.

The Way Ahead

Is there a way ahead which will take us out of this morass? Is there a way to recover the sanity and balance which once marked our life? I am sure there is, if we are willing to pay the price. But it is not by resort to political legerdemain. It is by beating our way upstream, against the swift-running current, to those moral and spiritual values upon which this nation was built. We must be born again of the spirit!

I do not mean to imply that there are no problems peculiar to the economic and political levels of our national life. But if men are not right at the deeper level, in their understanding of the nature of the universe and man's position therein, they can tinker with economic and political problems from now until doomsday and still come up with the wrong answers.

It is a case of putting first things first and the very first thing is a rehabilitation of our basic moral principles. Such an effort on our part will call forth the

support of cosmic sanction, for God intended men to be free. "The God who gave us life gave us liberty at the same time," Jefferson observed. But we will need conviction, courage, tenacity, understanding, humility, compassion and, above all, faith, to set in motion what William James called "those tiny invisible, molecular moral forces which work from individual to individual, creeping in through the crannies of the world like so many soft rootlets, or like the capillary oozing of water, but which, if you give them time, will rend the hardest monuments of man's pride."

That is the way! May our Father in Heaven endow us with wisdom, strength, and courage to follow it! Our forebears did so under more oppressive conditions than those we face. We can do it, too, provided only that we have the will! That is your challenge and your opportunity! I pray you will make this your post-graduate mission and, if this be your resolve, that you will translate it into action that counts. St. James said: "Whoso looketh into the perfect law of liberty, and continueth therein, he being not a forgetful hearer, but a doer of the work, this man shall be blessed in his deed." ◆

the Voice of a Brother's Blood

KENNETH W. SOLLITT

CAIN had slain his brother Abel. When asked by God where Abel was, Cain replied with an evasive question: "Am I my brother's keeper?" But God was not fooled as to Cain's guilt: "What have you done? The voice of your brother's blood is crying to me from the ground."

When we pause to remember those who have died in the service of their country — and are even now dying — what does the blood of our departed brothers cry out to us, whom war has thus far spared? Surely their blood must say something to us, but what is it?

Does it say, "The country for which we died is still worth fighting for"? or does it say, "We were wrong; no war is worth the cost"?

To be specific, should we have

gone into Vietnam, or shouldn't we have done so? And now that we are there, is it our moral obligation to remain or to withdraw? I honestly don't know the answer, and the uncertainty is so disturbing that I almost envy those who can adopt one prejudice or another, then read or listen to only their side of the story and refuse to believe anything that conflicts with their opinions.

But of one thing I am certain. There is a cry I can hear distinctly. It is the voice of a brother's blood saying, "Our America and her way of life are worth LIVING for." Our salvation lies, not so much in dying for our ideals as in living for them. Perhaps if there were more people who would live for the things for which our sons and brothers are periodically asked to die, there would be less call for their sacrifice. Living for America and her way of life may be an even greater

This article is condensed from Dr. Sollitt's 1966 Memorial Day sermon at the First Baptist Church in Midland, Michigan.

act of patriotism than dying for them.

It is because we will not live for our ideals that we are repeatedly called upon to die for them. We fight abroad for the right of self-determination, while at home we avoid doing for ourselves, or deciding for ourselves, everything we can get someone else to do or decide for us. We fight abroad for the right of free elections and then at home we offer our votes to the highest bidder in the election. We sacrifice our sons in battle to provide and to protect religious freedom while letting our religion deteriorate to the point where it isn't worth protecting. And when will we learn as a nation that we cannot worship in the sanctuary of Mammon without eventually sacrificing more sons and brothers on the altars of Mars? Surely if our ideas are worth dying for, they are worth living for.

Susan Coolidge said it best:

He serves his country best
Who lives pure life and doeth
righteous deed
And walks straight paths however
others stray
And leaves his sons, as uttermost
bequest,
A stainless record which all men
shall read;
This is the better way.

No drop but serves the slowly
lifting tide;
No dew but has some errand to
some flower;
No smallest star but sheds some
helpful ray,
And man by man, each helping all
the rest,
Make the firm bulwark of the
country's power;
There is no better way.

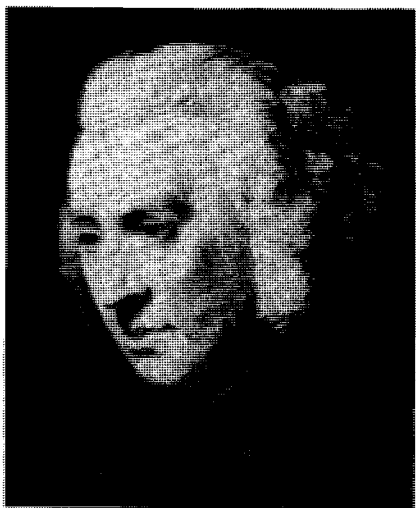
So let us start living for the things for which we ask them to die, such things as free enterprise and genuine self-government, honest work for honest wages, sobriety, integrity, morality, filled churches and empty jails, homes where men and women are faithful and children are taught by precept and example to reverence God and live pure lives.

"The voice of your brother's blood is crying to me from the ground" condemning us and saying, "You asked me to die for that for which you were unwilling to live!"

And back of the voice of our brothers' blood I hear the deep rumbling of the voice of God himself asking, "What have you done?" Happy is the man who can reply, "I, too, aspire to be a patriot, to live the life for which my brother so nobly gave his. May his ideals be perpetuated in me and translated into life." ◆

Dr. Johnson's Defense of Property

STEPHEN R. VALLANCE



THE EIGHTEENTH century's Dr. Samuel Johnson lived at a time when the economic doctrine of common property (later developed intensively by Karl Marx) extended itself into the discussions of thinking men and into the teaching of children.

"You teach them," Johnson told a friend, "the community of goods; for which there are as many plausible arguments as for most erroneous doctrines. You teach them that all things at first

were in common, and that no man had a right to any thing but as he laid his hands upon it; and that this still is, or ought to be, the rule amongst mankind. Here, Sir, you sap a great principle of society, — property."

It was from principle, not vested interest, that the author of the first English *Dictionary* defended property. Samuel Johnson had come to London in his early years accompanied by a former pupil of his, David Garrick, and between them they had only fourpence to start with in perhaps the only English city where one could raise his station. Both would strongly apply themselves: Johnson as a "drudge" with his dictionary and various other writings, Garrick

Mr. Vallance was recently awarded a Joseph Medill Patterson scholarship in journalism at Fordham University.

The quotations in this article are from Boswell's *Life of Samuel Johnson* and from *Rambler* articles by Johnson dated April 17 and October 6, 1750.

Portrait of Samuel Johnson by John Opie. The Bettmann Archive.

upon the stage where he would gain fame in the city's dramatic circles.

The fact, therefore, that Johnson achieved a degree of wealth both little and late testifies to his integrity when he dealt with the subject of property. What led Johnson to defend personal possession was his basic view of life.

The brilliant lexicographer took life as he saw it around him (there was no question here of guessing at man's antediluvian condition), and he viewed it as no easy journey. In a 1762 letter to a friend immigrating to America there is a notion that he would keep all his life:

"It is a melancholy consideration," he wrote, "that so much of our time is necessarily to be spent upon the care of living, and that we seldom can obtain ease in one respect but by resigning it in another; yet I suppose we are by this dispensation not less happy in the whole, than if the spontaneous bounty of Nature poured all that we want into our hands."

But, however much he might see the activity of living as a dreary task with little comfort even in bounty, poverty was no state to praise. The next year, when Johnson was 54 years old, he recalled in conversation his early years in London:

"When I was running about this

town a very poor fellow, I was a great arguer for the advantages of poverty; but I was, at the same time, very sorry to be poor. Sir, all the arguments which are brought to represent poverty as no evil, show it to be evidently a great evil. You never find people labouring to convince you that you may live very happily upon a plentiful fortune.— So you hear people talking how miserable a king must be; and yet all wish to be in his place."

Wealth Not Everything

Here, Johnson was not proclaiming any great benefits to be derived from wealth but merely saying that man wishes to be happy and finds the possession of property a suitable prerequisite. However, Johnson would warn against too fervid a desire for riches, not so much because of a probable despair in not attaining them but more because even their attainment proved to be unsatisfactory. Johnson wrote about this desire in a semiweekly London magazine called *The Rambler* to which he regularly contributed:

"When therefore the desire of wealth is taking hold of the heart, let us look round and see how it operates upon those whose industry or fortune has obtained it. When we find them oppressed with their own abundance, luxurious

without pleasure, idle without ease, impatient and querulous in themselves, and despised or hated by the rest of mankind, we shall soon be convinced that if the real wants of our condition are satisfied, there remains little to be fought with solicitude, or desired with eagerness."

So, Johnson was not one who saw in wealth or property a solution to man's pursuit of happiness. He, like his friend and fellow club member, Edmund Burke, felt the presence of an "unbought grace of life" and, besides, viewed the wealth he defended as a moral means (if not an always successful one) to a moral end.

Because this end, though moral, could not ensure happiness, Dr. Johnson tried to show to those who bewailed the unequal distribution of property that their cries were little justified.

In the same article in *The Rambler* he asked them to consider "that the inequality of distribution, at which we murmur, is for the most part less than it seems, and that the greatness, which we admire at a distance, has much fewer advantages, and much less splendour, when we are suffered to approach it."

This view, though it dismissed the argument that wealth made one man so much greater than another and therefore was not to be

allowed, did not preclude a man's rising in the world or mean that he should be "kept in his place." In another issue of *The Rambler* Johnson without qualification agreed that a man's ability to rise should not be hindered:

"Every man ought to endeavour at eminence, not by pulling others down, but by raising himself, and enjoy the pleasure of his own superiority, whether imaginary or real, without interrupting others in the same felicity."

So this was Dr. Johnson's basic view of life: the necessity of meeting one's needs; the desire for wealth; the unsatisfactory nature of both wealth and poverty and the questionable argument for reducing their differences; finally, the ability to rise in life without hindrance. What of his defense of property against erroneous doctrines? A preamble can be seen above, and it can now be presented within the context of these other views.

Ownership in Common

It was in *The Rambler* again that Johnson questioned the soundness of common property as an idea and there reached a most simple conclusion—the idea just doesn't work out in the world as we know it:

"Community of possession must include spontaneity of production;

for what is obtained by labour will be of right the property of him by whose labour it is gained. And while a rightful claim to pleasure or to affluence must be procured either by slow industry or uncertain hazard, there will always be multitudes whom cowardice or impatience incite to more safe and more speedy methods, who strive to pluck the fruit without cultivating the tree, and to share the advantages of victory without partaking the danger of the battle."

Johnson has to find something that does work and so he relies on a great principle of society—property—as a basis for argument. The scope of his intelligence and the fund of knowledge which he constantly added to by reading and conversation prepared him to meet most fallacious reasonings and nonsensical propositions. The latter he considered Rousseau's speculation on the origin of inequality. Johnson's excellent biographer, James Boswell, recorded his subject's opinion of this kind of speculation:

"Knowledge of all things is good. Conjecture, as to things useful, is good; but conjecture as to what it would be useless to know, such as whether man went upon all four, is very idle."

Where Rousseau has deduced a system, guessed at an unknown

condition, and finds himself grieving over the state into which noble, primitive man has descended, Johnson has looked to experience, examined known conditions, and grieves only that, as he had written to his emigrant friend, "so much of our time is necessarily to be spent upon the care of living."

Grounded in Reality

The reason why Johnson always seems to be in a defensive position may be added here. Anyone could imagine a utopian state and by comparison with the unimagined hardship and injustice of real life show the system that produces these to be evil in its operation. Johnson acknowledged that evil but could not abandon such a system as the necessity of living demands in favor of a utopia where that necessity, because it is unconsidered, makes nonsense of that ideal state. He spoke of a real world, not of an easily fabricated one:

"Sir, there is nothing for which you may not muster up more plausible arguments, than those which are urged against wealth and other external advantages. Why, now, there is stealing; why should it be thought a crime? When we consider by what unjust methods property has been often acquired, and that what was unjustly got it must be unjust to

keep, where is the harm in one man's taking the property of another from him? Besides, Sir, when we consider the bad use which many people make of their property, and how much better use the thief may make of it, it may be defended as a very allowable practice. Yet, Sir, the experience of mankind has discovered stealing to be so very bad a thing, that they make no scruple to hang a man for it."

The Uncertainty of Giving

While defending wealth, Johnson tried to resolve the problem of just concern for the poor. If the real world was not a vale of tears to him, it was at least no easy traveling. It was also nothing to capriciously tamper with as some would do who, after a pitying view of the poor, would distribute the luxury of the wealthy among them. Here is how Johnson reasoned against this:

"A man gives half a guinea for a dish of green peas. How much gardening does this occasion? How many labourers must the competition, to have such things early in the market, keep in employment? You will hear it said, very gravely, Why has not the half-guinea, thus spent in luxury, been given to the poor? To how many might it have afforded a good meal? Alas! has it not gone to the in-

dustrious poor, whom it is better to support than the *idle* poor?"

The industrious poor would not be harmed by luxury spread in this manner because "luxury, so far as it reaches the poor, will do good to the race of people; it will strengthen and multiply them. Sir, no nation was ever hurt by luxury; for, as I said before, it can reach but to a very few."

And it was with these "very few" and the use they made of their riches that Johnson was often concerned. His defense of property is strengthened by his opinion of its proper use. It is really an element of the defense.

A man of wealth to Johnson's mind has a prime obligation. He is obliged to spread that wealth for the benefit of society. Johnson rules out giving wealth away:

"A man cannot make a bad use of his money, so far as regards Society, if he does not hoard it; for if he either spends it or lends it out, Society has the benefit. It is in general better to spend money than to give it away; for industry is more promoted by spending money than by giving it away. A man who spends his money is sure he is doing good with it: he is not so sure when he gives it away. A man who spends ten thousand a year will do more good than a man who spends two thousand and gives away eight."

Thus, the artificial dole is dismissed. "Earning your pay" is far better than receiving it outright. This opinion finds a possible justification in our own time in two areas; in foreign aid, where the position of the receiver is discomfiting and gives rise to ill-feeling, and in programs for the poor, where government administrators have learned the importance of the poor's own involvement and action in return for the helping hand.

For Johnson proper use of riches can also refute the notion (held by Rousseau among others) that there is some better quality in poverty which sets it above wealth as a state to be desired. This is a silly notion because "he who is rich in a civilized society must be happier than he who is poor, as riches, if properly used (and it is a man's own fault if they are not), must be productive of the highest advantage."

Indebtedness Frowned Upon

Surely, Dr. Johnson is concerned with how well property is managed and to illustrate just how much he is concerned about the matter we may look into the 1782 correspondence Johnson had with biographer Boswell, then at his estate in Scotland. In three separate letters he enjoins Boswell to avoid debt. Once, he warns:

"Poverty, my dear friend, is so

great an evil, and pregnant with so much temptation, and so much misery, that I cannot but earnestly enjoin you to avoid it. Live on what you have; live if you can on less; do not borrow either for vanity or pleasure; the vanity will end in shame, and the pleasure in regret. . . ."

In another, he advises:

"Let it be your first care not to be in any man's debt. When the thoughts are extended to a future state, the present life seems hardly worthy of all those principles of conduct, and maxims of prudence, which one generation of men has transmitted to another; but upon a closer view, when it is perceived how much evil is produced, and how much good is impeded by embarrassment and distress, and how little room the expedients of poverty leave for the exercise of virtue, it grows manifest that the boundless importance of the next life enforces some attention to the interests of this."

In a third, his tone is again admonishing:

"Do not accustom yourself to consider debt only as an inconvenience; you will find it a calamity. Poverty takes away so many means of doing good, and produces so much inability to resist evil, both natural and moral, that it is by all virtuous means to be avoided."

So much for the proper use of property which Johnson has seen as so positive in its effects that he defends wealth against its enemies, moral and doctrinal. His life shows that the integrity of his defense cannot be questioned and, although social and political circumstances change, the soundness of his reasoning remains along with the necessity of man's meeting the demands of life. Wealth is as good or better an answer to

these demands as any other thing and private possession ensures wealth's good use. After all, one has to at least recognize Dr. Samuel Johnson's common sense and preserve the resulting wisdom.

"Of riches it is not necessary to write the praise. Let it, however, be remembered, that he who has money to spare, has it always in his power to benefit others; and of such power a good man must always be desirous." ♦

IDEAS ON LIBERTY

A Question of Property

IF, as M. Proudhon asserts, "all property is robbery"—if no one can equitably become the exclusive possessor of any article, or, as we say, obtain a right to it—then, among other consequences, it follows that a man can have no right to the things he consumes for food. And if these are not his before eating them, how can they become his at all? As Locke asks, "When do they begin to be his? when he digests? or when he eats? or when he boils? or when he brings them home?" If no previous acts can make them his property, neither can any process of assimilation do it: not even absorption of them into the tissues. Wherefore, pursuing the idea, we arrive at the curious conclusion, that as the whole of his bones, muscles, skin, and so forth, have been thus built up from nutriment not belonging to him, a man has no property in his own flesh and blood—has no more claim to his own limbs than he has to the limbs of another; and has as good a right to his neighbour's body as his own! Did we exist after the same fashion as those compound polyps, in which a number of individuals are based upon a living trunk common to them all, such a theory would be rational enough. But until Communism can be carried to that extent, it will be best to stand by the old doctrine.

the Vital Secret

PAUL L. POIROT

NOT ONLY foreign visitors, but many who have lived all their lives in the United States, observe the comparatively higher level of living here than in other countries and seek a reason why.

Some attribute the American advantage to such governmental interventions as the Tennessee Valley Authority, or the Federal Reserve Banking System, or the Social Security program, or the Rural Electrification Administration, or the farm price support program, or the patent laws, or the public schools, or the Federal-state highways, or immigration or tariff policies, or the merchant marine, or the space program, or the antitrust laws, or the Federal Power or Federal Communications Commissions, or any of hun-

dreds of other compulsory practices.

Others dig somewhat deeper to see that American workers have access to larger amounts of capital, machinery, tools, electrical energy, and other labor-saving devices which afford increased productivity for each man-hour of effort. And this would seem to come nearer to an explanation than does the amount of governmental intervention. Yet, when the magic formula is tried elsewhere, by building a high dam to provide electrical energy in Nasser's Egypt, or building costly steel mills and oil refineries in starving India, or confiscating all available capital in Castro's Cuba, the result is not the American level of living, but the same bare sub-

sistence that has so long plagued those unfortunate people. So, there must be more than meets the eye to account for the high level of living in the United States.

It is true that we have more capital invested per worker, more kilowatt hours of electricity available per worker, more and better machinery and tools per worker. Yet, these are but part of the fruits of industrial progress; these are effects of progress, just as our high level of living is an effect. And the cause of these consequences must lie deeper still.

Those who will see clearly enough may discover that *freedom* lies behind these material accomplishments, this high level of living. Freedom means release from governmental regulations and controls, or from any form of coercion or compulsion, the release of human energy, where each man is free to try, to succeed or fail with his own property and his own effort, according to his own choice, with the full right to the fruits of his success and the full liability for his failure.

And perhaps underlying the practice of freedom are the concepts of respect for private property, respect for the life and the dignity and the rights of each and every human being, the self-re-

spect that is becoming to a man as a creature of God.

So, if we would share our material achievements and our industrial progress with those less fortunate than ourselves, either within the United States in so-called pockets of poverty, or in other countries, let us try to better understand the nature of self-respect, learn to practice it more faithfully and fruitfully, in due humility, so that others may choose to do the same. From true and humble self-respect stems respect for the property and the lives of others. Once a people understand the importance of life and property, and come to respect another's as they respect their own, then they are in a position to organize a government of limited powers, knowing full well the limitations of coercive methods. And then, but not before, they are ready to practice freedom and enjoy such blessings of freedom as tools, machinery, electrification, automation, and a high and rising level of living.

Perhaps, if this were the secret of American progress that we undertook to share with the rest of the world, we might come to understand it well enough to preserve our own freedom. ♦

the Case for

WILLING

Exchange

LEONARD E. READ

THERE IS NO RESPECT in which any two persons are identical—physiologically, psychologically, philosophically, ideologically. Nature decrees variation in everything—no exceptions. In the animal world it seems that the more advanced the species, the greater the differences. As to man, this rule also holds true: the more advanced the individuals, the more distinctive are their dissimilarities.

Yet, regardless of this fact, we do generalize about our fellow humans; we attempt to categorize each other, to lump men and women under neat little labels: brilliant, muddled, idealistic, cussed, black, white, religious, inventive, and so on. All generalizations are oversimplifications; nonetheless, we couldn't get along without them. Communicating one with the other would be out of the question were minute particularization a requirement. Categories

are tools of thought and are essential to communicable writing, talking, even to thinking for ourselves.

We cannot dispense with classifications without doing away with communication; we couldn't even think without them. But we can aid and abet our own thinking as well as our powers to communicate by dropping loose, sloppy classifications in favor of more refined ones. In short, we can try to say more precisely what it is we really mean.

For instance, in the politico-economic area, we carry oversimplification to an absurd extreme by putting all of humanity into two categories: (1) those we roughly think of as on "our side," and (2) those we regard as ideological adversaries. Such, of course, is the ultimate in erroneous classification. And to continue the error is to promote suspicion, misunder-

standing, dissension, hate — yes, even wars. We should, insofar as possible, be done with this nonsense!

**The Confusing Labels We
Use for One Another**

The sloppy labels employed depend on which of the two imaginary sides is doing the classifying. Those on one side will call the others collectivists, lefties, statists, communists, interventionists, state planners, welfare staters, Fabians, traitors, nazis — each term used derisively. There is another label — the favorable one these “collectivists” call themselves: “liberals.”

But those who call themselves “liberals” will, with no less self-righteousness, refer to their so-called adversaries as extremists, reactionaries, rightists, profiteers, enemies of the poor, and even fascists. One also hears muttered epithets such as dog-eat-dog, law of the jungle, and the like. These are some of the ways the “lefties” label the “rightists.”

Observe, now, how the “rightists” label themselves: conservatives, patriots, libertarians, individualists, constitutionalists; some will say they stand for capitalism, many for private enterprise. There are other favored labels — terms to indicate where they stand: the rule of law, free enterprise, free

competitive enterprise, the market economy, the exchange economy, voluntarism, the profit and loss system, the incentive system, limited government.

What a babel of nondefinitive classifications from both imaginary camps! And who among us is exempt from this looseness? Most — not all — of these labels are meaningless and utterly confusing unless one is aware of the author's thinking, motivations, prejudices, predilections; they're no aid to clarity.

Reflect, for instance, on “capitalism” as used by Karl Marx, a term of opprobrium and, then, by Ludwig von Mises, a term of approbation. We do, of course, derive some idea of what is meant when “capitalism” is employed by such well-known authors, but most people who use the term are total strangers and, thus, we haven't the slightest idea as to what is implied. “Capitalism,” on its own, is nondefinitive. We are at the mercy of the definers, few of whom agree.

Or, to further illustrate, take “private enterprise.” To some minds this conjures up privately owned businesses honestly competing for consumer favor, an economic ideal. To others, everything from embezzlement to piracy is suggested, both of these enterprises being quite private.

A Fundamental Difference

All politico-economic classifications in current usage have their faults. Nor is it possible to construct a term that is precisely definitive. However, there is one that seems to be an improvement over the others: *willing exchange*. I have used this term for some years as a means of identifying my own position, and, while little if any adoption by others has been noted, it is significant that no one has taken issue with me for using it. Perhaps if the implications of "willing exchange" were highlighted, it might be more widely employed. If clarity can be served, it's worth trying to make the case for its inclusion in our vocabulary.

The first step is to recognize how deeply exchange extends into human affairs. It goes to the very roots of and is fundamental to earthly existence. This is more or less apparent, as related to goods and services, in a division-of-labor society. Specialists exchange — or perish! But more: man, individualistic as he is, remains a social being. Even were an individual in comparative isolation, he can exist only by reason of his heritage — an exchange process in knowledge and ideas extending back to the harnessing of fire, even to the dawn of human consciousness.

So far, so good — no argument. In a word, we can declare our-

selves in favor of exchange and arouse no more controversy than announcing a favoritism for life. And for good reason: exchange, without any modifiers, isn't meaningfully definitive.

It's at the next step — when modifiers are introduced — that controversy has its genesis. Shall it be *willing* or *unwilling* exchange?

Free or Forced

I wish to suggest that standing for *willing* exchange, on the one hand, or for *unwilling* exchange, on the other, more nearly accents our ideological differences than does the employment of the terms in common usage. It is when using these terms to distinguish ourselves that we can openly, honestly, logically part company, and with considerable clarity. *Willing* or *unwilling* exchange makes subterfuge not impossible but difficult; to side with one or the other is to declare one's meaningful position more or less unequivocally and unmasked; there is a minimum of verbal façade to hide behind.

Willing exchange, uncommon and thus not in the trite or cliché category, immediately provokes reflection, a big mark in its favor. The term has not yet been saddled with emotional connotations, such as those built around *free trade*,

for instance. Further, its antithesis, *unwilling* exchange, comes to mind, and no one, not even a protagonist, proudly acknowledges he favors that; it does offense to his idealism. *Unwilling* exchange, at the very least, is a semantic jolter; it suggests to any sensitive sponsor that he take another look at his position.¹

While I use *willing exchange* and *the free market* synonymously, the word *market*, to most people, conjures up no more than a swapping place for produce or the little understood and much maligned stock market; they see in *market* only crass materialism, no spiritual or cultural qualities, none whatsoever.² Frederic Bastiat used the term, *liberté des transactions*,

a good-image phrase but, to my way of thinking, not quite as thought-provoking as *willing exchange*.

The full antithesis of *willing exchange* encompasses more than *forced* or *coercive* exchange which *unwilling* so clearly implies. No exchange at all — the absolute prohibition of exchanges — must also be included as the antithesis of *willing exchange*. One of many examples: the prohibition of exchanging dollars for gold.

Instances of Coercion

If we cut through all the verbiage used to report and analyze political and economic controversy over the centuries, we find that much of it boils down to a denial of *willing* and the insistence upon *unwilling* exchange. What were the Crusades but an attempt forcibly to substitute the "true faith" for the beliefs of the "infidels"! Napoleon attempted to substitute his authoritarianism for someone else's rule, armies and guns being his method of persuasion. The looting of neighboring nations was only a coercive exchange of some people's property for the invaders' satisfactions. Robbery, an exchange device, was the first labor-saving scheme. Feudalism was a coercive exchange of the serfs' labor for the serfs' and lord of the manor's protection. Mercantilism

¹ The forcible collection of income (taxes) to defray the costs of governmental activities must, when the activities are beyond the principled scope of government, classify as *unwilling* exchange. But taxes to defray the costs of activities that fall within the principled scope of government are in neither the *willing* nor *unwilling* category; they are the payment of an obligation as, for instance, a just debt. See my *Government: An Ideal Concept* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.) pp. 11-49.

² I insist that the free market is a spiritual phenomenon and that its apprehension is a greater cultural achievement than are poetry, music, or whatever. See the chapter, "The Miraculous Market," in my *The Free Market and Its Enemy* (The Foundation for Economic Education, Irvington-on-Hudson, N. Y.) pp. 6-21.

forcibly controlled and/or prohibited exchange.

However, it is not necessary to draw on ancient history for examples of *unwilling* exchange. Today, the fruits of one's labor are forcibly exchanged to put men on the moon, to pay farmers not to grow numerous crops, to rebuild deserted downtowns. The list of coercive activities that go beyond the principled scope of government runs into the thousands.³ Nor does one have to be much of a political economist to see that minimum wage laws, labor union compulsions, social security, medicare, free lunches, foreign aid, and a host of other governmental activities are the antithesis of *willing* exchange.

Unwilling exchange has its genesis in an objective theory of value, that is, in the forcible imposition on the individual of a value standard not of his choice but of someone else's making. It's Napoleon's, or a labor union's, or a bureaucracy's value judgment—not the individual's value judgment—that determines how the individual shall employ himself, what his hours and wages shall be, what and with whom he shall exchange, and what shall be the dis-

position of his income. Throughout the ages, right up to the present moment, *unwilling* exchange has been conspicuous, and for a simple reason: most people haven't known any better!

The Subjective Theory of Value

It wasn't until a few years ago — 1870 — not long enough to be widely apprehended, that Austria's Menger, England's Jevons, and Switzerland's Walras, almost simultaneously, made the greatest discovery in economic science: the *subjective theory of value*, sometimes called the "marginal utility theory of value." Until this time, no one had ever formulated a valid theory of value. Then these economists, by merely observing how ordinary people exchange when unrestrained, discovered that the value of anything was what others would give for it in *willing* exchange. The value of a painting, for instance, is whatever others will forego in order to obtain it. That's marginal utility, pure and simple, which can be only subjectively determined. In short, no one else but you can determine the relative or marginal utility of anything to you.

Here, for the first time in history, the concept of *willing* exchange unseats Napoleonic behavior — all forms of authoritarianism — and enthrones the indi-

³ See *Encyclopedia of U.S. Government Benefits*. (Doubleday Book Shop, 724 Fifth Avenue, New York, N. Y.) 1,000 pp.

vidual. The consumer becomes king. Individual freedom of choice rules economic affairs. Whether I plow the fields or pilot a plane, or whether I exchange the fruits of my labor for some corporation's stock or for a bungalow by the seashore is for me, and a willing seller, to decide; it is no one else's business! In good theory this is true; in practice it faces opposition.

Most individuals favor subjective evaluations as applied to self but will, at the same time, insist on objective evaluations as applied to the millions who "don't know what's good for them." In a word, very few will accord that liberty to others which they so much cherish personally. These inconsistent people are the victims of a historical momentum — the darkened millenia of mankind's past — and thus have not apprehended the newest politico-economic fact on the face of the earth: individual liberty. This slowness to apprehend may, in turn, derive from our poor choice of descriptive terms.

Positive Identification

Admittedly, making the case for the use of *willing exchange* as a means of identifying one's position, is going to raise the question, "Well, if I am not to single out as descriptive of myself such terms as conservative, patriot, capitalist,

libertarian, free enterpriser, or some other loosely definitive label, what then? Are you suggesting that I call myself 'a willing exchanger'?" Indeed not!

The best answer to "What are you?" is your own name. If one be a Marx or a Mises, whose reputations precede them, the name alone suffices. If one be neither infamous nor famous, and another is interested in the details, let him inquire and listen. A personal experience will help with my point:

I was invited to lecture at a clergymen's seminar in Texas. Just before the affair got under way, a gentleman proffered his hand, announcing, "I am Charles Hemphill from Cisco."

My response, "I am Leonard Read."

"Where are you from, Mr. Read?"

"The Foundation for Economic Education at Irvington-on-Hudson, New York."

"Oh! You're Leonard Read."

My ideological position was unknown until identified with FEE. Immediately, Mr. Hemphill knew of my beliefs, and in considerable detail.

Now, suppose my answer to the question, "Where are you from?" had been, "Right here in Mineral Wells." That would have given him no tip-off as to my position. This new friend, an inquiring

spirit, would have wanted to know how to classify me. My capsule answer, today, would go something like this:

No man can contrive or blueprint a good society any more than any individual can make such a simple thing as a wooden lead pencil.⁴ The pencil, or any other artifact, for that matter, is a manifestation of infinitesimal and varied creativities flowing through the minds of men in complex interchange since well before the harnessing of fire. Once the pencil comes into existence, we can, to some extent, observe and write about what took place, the most significant deduction being the *unobstructed* flow of creativities, that is, creativities in free and *willing* exchange.

Similarly, the good society is a manifestation, not of a pre-designed blueprint—not of a mass blindly following some person's scheme of organization—but, rather, the natural out-cropping of the efforts of a goodly number of people in pursuit of Truth. In a word, a good society, like a pencil, is a configuration of the tiny wisdoms men come upon when seeking, above all else, what is right and righteous.

⁴ See the chapter, "Only God Can Make a Tree—Or a Pencil" in my *Anything That's Peaceful* (Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.) pp. 136-143.

Whenever a good society shows forth, we can, to some extent, observe and write about what took place, the most significant deduction being the *unobstructed* flow of millions of individually acquired wisdoms, that is, flashes of enlightenment in free and *willing* exchange.

The Truth Will Out

No man set about inventing *willing* exchange. Instead, some men were in pursuit of Truth. Their numerous findings and insights combined to make of them the kind of men who understood the advantages of *willing* or free exchange. But whenever the pursuit of Truth has not been uppermost among the aims of a considerable number of people, the understanding recedes to the point where *unwilling* exchange is believed in and practiced.

No man preconceived and set about designing and writing the Declaration of Independence, the Constitution, and the Bill of Rights as a means of erecting a good society. These political documents were really a configuration of beliefs that achieved dominance through a pursuit of Truth quite extraordinary in its intensity. The seeking of Truth was the seed; a good society, perhaps the best that has existed, was the bloom; these documents were but a re-

cording of the beliefs. To confirm this, merely note that when the beliefs changed, the documents became commensurately meaningless.

When we entertain the idea that political documents and laws cause a good society, we are wont, in adversity, to repair and revise the documents and laws. This is not only useless but seriously diverting. For nothing counts but Truth, and Truth comes to us only when we are seeking what is right and righteous. This, to my way of thinking, is the most important and practical of all political facts.

Reflecting on what the pursuit of Truth has divulged, I believe that no person, or any combination of persons, regardless of numbers, or any agency they may contrive—be it a labor union, trade association, or government—has any right of control over any other person that does not exist or inhere as a moral right in each individual. The only moral right of control by one individual over another or others is a defensive right, that is, the right to fend off aggressive or destructive ac-

tions. Governments, therefore, should go no further in controlling people than the individuals who organize it have a moral right to go. For, if government does not obtain its power of control from those who establish it, from where then does its power derive? In short, limit governmental power to codifying the do-nots consonant with the defense of life and livelihood, to the protection of all citizens equally. No special privilege for anyone!

This is by way of saying that, ideally, government should be limited to inhibiting and penalizing all violence, fraud, predation, misrepresentation, that is, to keeping the peace. Insist that it tolerate no *unwilling* exchange and that it never indulge in what it is organized to prohibit. Let government do only this; leave all else, including welfare and prosperity, to *willing* exchange.

I believe we are fully agreed as to the quality of liberty we cherish for ourselves. The question is, are we agreed to allow this same quality of liberty to all others? If so, the spirit of liberty may be on the move again. ♦

SOCIALISM



STYLE

HENRY HAZLITT

NEW YORK CITY's first subway opened in 1904. The fare was 5 cents. The subways remained under private ownership until 1940. The fare was still 5 cents. But meanwhile wholesale prices had gone up 32 per cent; wage rates had tripled; the lines were granted tax exemption by the city. They petitioned for higher fares. But the 5-cent fare was sacred. The city fathers decided that the only way to keep it was to eliminate private profit and run the trains themselves.

So the subways were bought by the city in June 1940. On July 1, 1948, the fare was doubled to 10 cents. On July 25, 1953, it was tripled to 15 cents. Between 1940 and 1953 other consumer prices went up 91 per cent, but New York subway fares went up 200 per cent. The lines were still run at heavy loss. Even by its own method of accounting, the Transit Au-

thority has lost money in seven out of the last ten fiscal years. If even one of its several subsidies from the city is deducted, it has lost money heavily in every one of those years.

The Transit Authority, which runs the subways for the city, is required by law to operate within revenues received from operations. This is a rather technical requirement. In the first place, capital funds (such as for subway construction, subway cars, and buses) are provided by the City of New York. There is a subsidy for carrying school children, and a subsidy for Transit Police.

In the fiscal year ended on June 30 last, the Transit Authority reported an operating deficit of \$62 million. This deficit was achieved in spite of a tax subsidy of \$166 million to Transit for the fiscal year. The subsidy was made up of New York City's outlays for all debt service, construction, and new equipment of \$116 million;

the subsidy for student fares of \$20 million, and the subsidy for Transit Police of \$30 million.

And now the fare has been raised to 20 cents — a 300 per cent increase since 1940. The extra 5 cents is expected to bring in something in excess of \$60 million, but probably will not be enough to cover the operating deficit even when all the subsidies are included. A 25-cent fare may be less than a year away.

As the charge for the service has been going up, the quality has been going down. The trains run less frequently; they don't meet schedules; they get older and dirtier, and so do the stations.

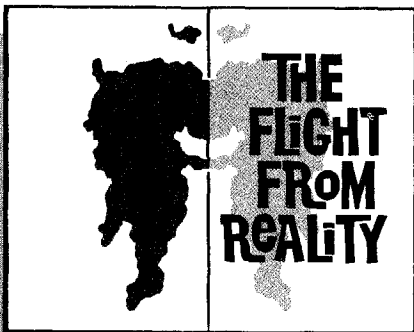
The Wall Street Journal recently complained in an editorial: "The change-makers in the municipally operated subway system refuse, usually with great rudeness, to accept a \$5 bill or anything higher . . . A person finding himself with nothing under \$5 has no choice but to trudge back up the stairs and find a store willing to make change. Nine times out of ten the shopkeeper will do so in perfectly friendly fashion. The contrast is illuminating. The salesman in the store knows his livelihood depends on courtesy and service. To many a minion of bureaucracy, however, people are nuisances at best and to be treated as such."

This is "public" ownership. This is how socialism, U.S. style, works.

A theory has developed that municipal transportation ought not even be expected to pay its way. This theory is merely the outgrowth of government ownership. When cities own and operate the subways, the fare must be subsidized. When governments own the railways, the railway fare must be subsidized. When governments own the telephone and telegraph lines, the lines are subsidized. When governments own the power and the light companies, power and light are subsidized. When governments own the airlines, the airlines are subsidized. Governments run the mail service, and the mail is carried at a loss. Nothing is expected to pay its own way.

A subsidy on bread would be more defensible than any of these, but the government doesn't yet own and run the bakeries.

The socialist argument begins by saying that fares are too high because private industry is under the necessity to make a profit. What is overlooked is that it is precisely the need to make a profit, or to avoid a loss, that leads to economy, efficiency, and good service. Government ownership removes the incentive to all three. ♦



24. *The Flight from the Constitution*

PART II

CLARENCE B. CARSON

IT IS HARDLY conceivable that a people would grant the power to a government of their own making to make over their lives. Only confusion could produce the notion that it would be desirable or necessary to grant such powers to government. If a people wish to alter the character of their lives and their ways of doing things, there is no need for government to effect the changes; the people can make them on their own. Of course, a majority might grant powers to its government to make a minority conform to its will. But any thoughtful majority would wish to circumscribe these powers, for majorities change in their constituency, and a man who is

today the member of a majority may tomorrow find himself in a minority.

At any rate, the Constitution of these United States did not authorize the government it provided for to engage in social reconstruction. Moreover, many protections were written for minorities against their subjection to some temporary majority. Yet, for a good many years now, the government of these United States has been engaged in various projects of social reconstruction. Each of these is a flight from the Constitution. But before detailing these flights and explaining how they have been made, let us examine a single instance.

On May 31, 1955, there went out a decree from the Supreme Court at Washington in the District of Columbia based upon a

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

prior declaration by that body of "the fundamental principle that racial discrimination in public education is unconstitutional. . .—All provisions of federal, state or local law requiring or permitting such discrimination must yield to this principle. . . ." This decree ordered subordinate courts to comply in these words:

— The Courts will require — a prompt and reasonable start toward full compliance — and enter such orders and decrees — as are necessary and proper to admit to public schools on a socially non-discriminating basis with all deliberate speed the parties to these cases. . . .

This decree had the purpose of implementing the ruling of the Supreme Court in *Brown vs. Board of Education of Topeka, et al.*, which had declared segregated schools unconstitutional in 1954.

A great concert of spokesmen in the media of communication proclaimed that the decision and the subsequent decree was the Law of the Land. Many vocal elements in the United States subscribed to the notion, or presumption, that those who did not rush to comply with the Court's proclamation were defying the law. The import of what they were saying was this: Those who continued to maintain segregated schools supported by taxes were outlaws.

Such was not the case (and is

not the case). Nothing is more firmly established in the American system of jurisprudence than that courts apply the law to particular cases. If this decision was law for anyone, it was law only for the defendants in the case (i. e., the Board of Education of Topeka, and so forth). It would become law for others only when rulings had been made upon cases brought before courts.

Critics of the decision have charged that the Court was legislating. Defenders of the decision have, by implication, claimed that the Court has legislated. When they say that the decision is the Law of the Land, they must be saying that the court legislated, for they do not charge that it was the Law of the Land before 1954. The words of the decision suggest that the Court was trying to legislate, or, at the least, give this character to its pronouncements, for it did speak to the general situation, though its order did and could apply only to those defendants before it.

Reconstruction, the Aim

The Brown case is of particular interest because it is a dramatic illustration of two intertwined trends involved in the flight from the Constitution. In the first place, it was an attempt to make over or reconstruct society. One writer

focuses upon this character of the decision as well as emphasizing the departure from earlier practice in these words:

The Segregation decisions had a social consequence of a vastly different order. They called for a rewriting of state and federal legislation relating to public education. When to the Segregation decisions are added the later judicial acts extending the new constitutional regime to other places of public assembly, one must acknowledge that judicial orders have required a basic revision of social structure and a root change in human relationships. The Supreme Court did not order Alabama and Mississippi and South Carolina to forget about an innovation in public policy and continue life as they had lived it before the promulgation of that innovation; the Court ordered people in those and other states to fashion legislation of a kind that they had never had on their statute books and to institute some social relationships that had never prevailed in those places.¹

Second, the Court used established judicial procedures to carry out unjudicial action. This gave the act its semblance of legality and claim to be obeyed. But it did not alter the fundamental innovation involved nor departure from judicial functions.

¹ Charles S. Hyneman, *The Supreme Court on Trial* (New York: Atherton Press, 1963), p. 199.

The Method of Judicial Review

The two judicial instruments used were judicial review and the court order. The so-called power of judicial review is based upon the view that in applying the law the courts must decide which law applies to a particular case. If there are two laws in conflict, the court must choose which one is applicable, and in so doing it makes of the other a nullity. Two sorts of conflict have arisen: one, a conflict between an act of the legislature and a provision of the Constitution; the other, a conflict between Federal legislation and that of the states.

Since *Marbury vs. Madison*, the rule has held that an act of legislature in conflict with the Constitution will not be applied by the courts. Such an act is usually said to be unconstitutional. It is also held that a state act in conflict with a Federal act, when the Congress was acting within its constitutional powers, will not be applied. Claims have arisen over the years that the courts were actually making law when they interpreted the Constitution and the laws. But in the above examples, at least, the courts would not be making laws, they would only be deciding between laws as to which to apply.

The Brown decision was peculiar in many ways. The usual route to the testing of a law is to

violate it, be found guilty by the appropriate court, and appeal the decision on the grounds of the unconstitutionality of the law. The Brown decision did not arise in this way, though it could have. Two ways to test the segregation laws come to mind. One would be for the parents of a child to refuse to send him to a segregated school. If the state in which this occurred had compulsory attendance laws, the parents might then be prosecuted for failing to require the child to attend. The particular law being challenged would be the compulsory attendance law, but perhaps the courts might decide upon the constitutionality of segregation in connection with it.

The other way to test the constitutionality of segregation would be for a school official to enroll, say, a Negro child in a white school, or vice versa. If he were then brought to court for his act, a perfect test case would be available for the constitutionality of the laws requiring segregation.

Change by Order of the Court

In both imaginary cases, the court could have ruled the acts unconstitutional. That is, the court could have held that an act compelling students to attend segregated schools was in violation of the Constitution (or even, that compulsory school attendance

was). And, it could have held, in the second case, that the requirement that schools be segregated was unconstitutional. In either case, the decision of the court would have been negative, and the initiative for taking action would have remained with the states and communities. In these cases, the Court would not have been making law, though it would have reversed its former position as to what was law.

But the approach to the courts was not made in the usual way. Plaintiffs in these cases asked for *court orders* requiring the admission of the pupils in question to all-white schools. That is, they asked for orders compelling integration. The court order is a well established instrument of the courts. There are a considerable array of instances in which they may be issued. Roughly, though, they are of two kinds: those issued prior to adjudication, and those issued to effect a judgment arrived at in regular court proceedings. The first usually is of the nature of an injunction, prohibiting or estopping some action which, if it is as alleged, will result in irreparable damage if allowed to continue until a case can be decided in court. Decisions themselves may result in court orders; if so, they would be of the second kind.

Remaking the Law

It is remarkable that these cases should ever have come before the Supreme Court. There was no alleged conflict between Federal and state statutes. There was no standing law (that is, legislative enactment) compelling integration upon which a court order might issue. Moreover, courts (including the Supreme Court) had held on many occasions that segregation, *per se*, did not violate the "equal protection of the law" clause of the Fourteenth Amendment. The ruling principle in such a case might be expected to be *stare decisis* (to let the decision stand). In short, there was no law, either statute or constitutional, upon which a court order might be issued.

Before the Supreme Court could issue the orders that it did and remand the cases to the lower courts for particular orders, it found it necessary to establish at least the semblance of such law by constitutional reinterpretation. That is, it reversed earlier decisions. Theoretically, it might have done so by declaring that it would not enforce laws requiring segregation in the schools, though it had no case directly challenging these before it. If it had done so, however, its ruling on the cases before it would, of necessity, have been to deny the suits. The Court was asked to rule not that segrega-

tion was unconstitutional but that for the plaintiffs to receive equal protection of the laws integration must be *required* in public schools.

Desegregation Does Not Require Compulsory Integration

Compulsory integration is the key phrase for understanding the import of the Brown decision. The distinction between declaring segregation to be unconstitutional in the public schools and the compelling of integration may appear to be a distinction without a difference. It is not; it makes all the difference in the world. If the Court had ruled that segregation was unconstitutional, the decision would undoubtedly have been subject to much controversy. It would, nonetheless, have been, in the common parlance, the Law of the Land. That is, the courts would not enforce segregation laws by assessing penalties against violators. In the normal course of events, no such cases would come before the courts. Everyone might know that such laws were of no effect. Ruling in this way, the Supreme Court has an inherent power to say what is the law in these United States. It is a negative power; it nullifies but does not create.

Compulsory integration is another matter altogether. It is not

law at all. It lacks the predictability which is an essential requirement of law, about which more anon. There are no minimum nor maximum penalties fixed for violators. There is no provision for trial by jury of offenders, which, if the decisions were law, would be in conflict with the Sixth Amendment to the Constitution. There is no description of the circumstances under which integration must occur, no exclusion of those in which it is not required. The effecting of the decisions is to be done in such a manner as to evade the requirements that due process of law be observed.

"Due process of law" is often treated as if it were a mystery, to be divined, if at all, by those deeply immured in the intricacies of the law. For some of the finer points, this may be so. But much of the outline of the requirements of due process of law is spelled out unmistakably in the Fourth through the Eighth Amendments to the Constitution. For example, the Fifth Amendment says, "No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury. . . ." The Sixth says, "In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury

of the State and district wherein the crime shall have been committed. . . ." The Seventh says, "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved. . . ." Any law which did not allow or provide for these processes would, itself, be in violation of the Constitution. The Brown decision, and those subsequent to it, allowed for no such processes; contempt proceedings before a judge only were to be the methods of enforcement.

Nothing Settled

More needs to be said under the heading of predictability. The Brown decision, for all its firmness of tone, did not settle the question as to what is the law. It only raised a host of questions. Let us note some of them. Must a school admit a child of the Negro race when he applies without regard to where he resides? Does the ruling apply with equal validity to Indians, for instance? Must a school district integrate its schools in the absence of the desire for such integration from any of its constituency? May a pupil be compelled to attend an integrated school? When is a school integrated? Must a school have some kind of balance among the races in its pupil make-up? Must Negroes be imported or

white people exported in order to achieve integration? Any court worth its salt confronted with the Brown decision under the guise of law would, of necessity, rule that it was no law.

The Brown decision, and those subsequent to it, was not judicial legislation; it was judicial compulsion. There was, and is, no law requiring integrated schools. There have been a large number of court orders compelling integration in particular instances. They are compulsions, however, without the sanction of law—in the absence of standing law. They are assertions of the will of the courts, or of the Supreme Court, hence, arbitrary, violative of constitutional rights, and putative usurpations of powers belonging to legislatures or to the people.

Those who believe that the Brown decision was nonetheless proper may defend their position by holding that the integration of the schools could not otherwise have been obtained, that there would have been insufficient states to approve a constitutional amendment for it to be adopted, that Congressional action would have been forestalled by a filibuster, that grand juries in some parts of the country would not indict offenders, that trial juries would not convict. All of this is another way of saying that the Constitu-

tion does not contemplate the use of the government to make over the lives of Americans, that it provides for a government answerable to the people, that the taking of life, liberty, and property are powers residing finally in juries selected from among those in the communities where the act is done. In short, Americans did not contract away the power to alter and determine what their lives would be. Such attempts can be made only by flights from the Constitution.

Other Unconstitutional Actions

The above is, of course, only one among many flights from the Constitution in the last eighty years. It is particularly significant because it shows how a nonelective branch of the government claims power for itself to alter society. But all branches of the United States government may and have taken part in action unauthorized by the Constitution. The following are some examples of such actions:

1. Passage of antitrust acts
2. Authorizing the Interstate Commerce Commission to set rates
3. Establishing of the Federal Reserve System
4. The passage of a graduated income tax
5. The construction of steam gen-

erators by the Tennessee Valley Authority

6. The subsidizing of agricultural prices

7. The restricting of crop acreages

8. The subsidizing of interest rates

9. The establishing of minimum wages and maximum hours

10. The operating of Social Security

11. The sponsoring of co-operatives

12. The giving of Federal aid to education

13. The providing of low rent housing

14. The making of loans to other nations

15. The forbidding of child labor

16. The arbitration of labor disputes

17. The controlling of prices

These and many other actions have been done by the government of the United States. They are nowhere authorized in the Constitution. The legislative powers are enumerated in Article I, and not one of the above is mentioned nor, for that matter, clearly implied in the powers granted. Some will imagine, for example, that a graduated income tax is authorized by the Sixteenth Amendment. It is not. The Amendment reads, "The Congress shall have power to lay and collect taxes

on incomes from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

True, a graduated tax is not forbidden; but, then, neither is it authorized. Moreover, since the prevailing practice in America was for taxes to be uniform, no presumption existed that this authorized graduation. On the contrary, the supposition would be that income tax rates would be uniform.² Any court eager to insure the equal protection of the laws to the citizenry might refuse to enforce the graduated feature of the income tax on the grounds that by its workings Americans are not equally protected from the confiscation of their property.

Getting Around the Limitations

My point, however, is that the Constitution does not authorize a graduated income tax. Nor does it authorize a host of other actions taken with the purpose of making over American society. The Constitution posed both formal and substantive obstacles to the partisan use of government for such unlimited ends. Some account has been made of how the formal ob-

² See Thomas J. Norton, *Undermining the Constitution* (New York: Devin-Adair, 1951), pp. 60-63.

stacles have been largely overcome. The formal obstacles were the separation of powers within the Federal government, the dispersion of powers among the Federal and state governments, the differing composition of the electorate for various elective offices, and the division of the country into relatively small electoral districts. The major devices by which these have been overcome have been the development of political parties, the direct election of Senators, the establishment of "independent" boards and commissions which tend to combine powers otherwise separate, the taking of initiative for legislation by the President, and the engaging of the Supreme Court in pseudo-legislative pronouncements.

The substantive obstacles in the Constitution consist mainly of the enumeration of powers granted and reservation of those not granted to the states or to the people, procedural restrictions, and enumerated prohibitions against certain actions. Many of these have been evaded, reconstructed, or ignored, so as to allow the Federal government to act in ways not authorized.

The Commerce Clause

Probably the one provision of the Constitution that has been stretched to the greatest extent

to empower the Federal government to act upon Americans has been the interstate commerce clause. Article I, Section 8, gives Congress the power "to regulate Commerce . . . among the several States. . . ." Of this power, along with that of regulating commerce with foreign nations and with the Indians, one writer says: "This grant of authority is in the simplest of words, yet these words have unfolded into a body of propositions and explanations that constitute at least one half of the constitutional doctrine pronounced by the Supreme Court."³

The first thing to be noted about this power is that it is a general and exclusive grant of it to the Federal government, and that the power so granted is vague and imprecise. Chief Justice John Marshall set forth in outline (in *Gibbons vs. Ogden*, 1824) the broad expanse of this power. He said, in part, "Commerce, undoubtedly, is traffic, but it is something more, — it is intercourse. It describes the commercial intercourse between nations, and parts of nations, in all its branches, and is regulated by prescribing rules for carrying on that intercourse." Of the power granted, he said: "This power, like all others vested in congress, is complete in itself, may be exercised to its utmost

³ Hyneman, *op. cit.*, p. 141.

extent, and acknowledges no limitations other than are prescribed in the constitution."⁴

Production and Sale

For about one hundred years, from some time after 1824 through 1936, the courts occupied themselves with delimiting and prescribing the extent of these powers. The Supreme Court distinguished between interstate and intrastate commerce, between trade and manufacturing, between that which has a direct effect on commerce and that which does not. Typical of such decisions was that of *United States vs. E. C. Knight Company* (1895). This case tested the constitutionality of the Sherman Antitrust Act, involved the question of whether or not the power over commerce gave Congress the power to control monopolies in manufacturing. While the court did not hold the Sherman Act unconstitutional, it did hold that it did not extend to monopolies in manufacturing. Chief Justice Fuller reasoned in the following way:

... Doubtless the power to control the manufacture of a given thing involves in a certain sense the control of its disposition, but this is a sec-

ondary and not the primary sense; and although the exercise of that power may result in bringing the operation of commerce into play, it does not control it, and affects it only incidentally and indirectly.... The power to regulate commerce is the power to prescribe the rule by which commerce shall be governed, and is a power independent of the power to suppress monopoly. . . .⁵

One of the last decisions to attempt to maintain such distinctions and limitations on the Federal power was *Schechter Poultry Corp. vs. United States* (1935). The tendency of this decision was to invalidate the National Recovery Act (1933). It was also one of the last decisions to affirm that the Constitution imposes limits upon the Federal government regardless of the conditions which may prevail. Chief Justice Hughes said, in part:

... Extraordinary conditions do not create or enlarge constitutional power. The Constitution established a national government with powers deemed to be adequate, as they have proved to be both in war and peace, but these powers of the national government are limited by the constitutional grants. Those who act under these grants are not at liberty to transcend the imposed limits because they believe that more or different power is necessary. Such assertions

⁴ Henry S. Commager, ed., *Documents of American History I* (New York: Appleton-Century-Crofts, 1962, 7th ed.), 239-40.

⁵ *Ibid.*, I, 618-19.

of extra-constitutional authority were anticipated and precluded by the explicit terms of the Tenth Amendment. . . .⁶

He then concluded for the majority of the Court:

We are of the opinion that the attempt through the provisions of the Code to fix the hours and wages of employees of defendants in their intrastate business was not a valid exercise of federal power.

On both the grounds we have discussed, the attempted delegation of legislative power, and the attempted regulation of intrastate transactions which affect interstate commerce only indirectly, we hold the code provisions here in question to be invalid. . . .⁷

A Turning Point in 1937

From this point on, though, the obstacles to the use of power over interstate commerce to regulate a multitude of business activities began to be removed. The Federal courts had never exercised much restraint over state regulation of industry and commerce (about which, more later), but now they began to reduce the restraints on congressional power. A turning point can be seen in *NLRB vs. Jones & Laughlin Steel Corp.* (1937). Chief Justice Hughes came as close as a judge is apt

to do to reversing his earlier opinion in this one. He said,

We do not find it necessary to determine whether these features of defendant's business dispose of the asserted analogy to the "stream of commerce" cases. The instances in which that metaphor has been used are but particular, and not exclusive. . . . The congressional authority to protect interstate commerce from burdens and obstructions is not limited to transactions which can be deemed to be an essential part of a "flow" of interstate or foreign commerce.⁸

Thereafter, all sorts of legislation has been validated under this clause, as, for example, child labor laws, social security, minimum wages, maximum hours, and so forth. By 1953, a student of constitutional interpretation, William W. Crosskey, could conclude that the whole panoply of distinctions and restrictions upon the Federal government in the regulation of economic affairs had been in error. Correctly construed, he said, the powers granted are plenary: "The national government shall have power to regulate the gainful business, commerce, and industry of the American people."⁹ The Congress, the President, and the

⁶ *Ibid.*, II, 280.

⁷ *Ibid.*, 283.

⁸ Charles Fairman, *American Constitutional Decisions* (New York: Holt, 1952, rev. ed.), p. 220.

⁹ Quoted in Hyneman, *op. cit.*, p. 149.

courts have increasingly operated upon such a premise.

Liberties Infringed

But let us examine some of the implications of this doctrine. Such an examination will lead us to other flights from the Constitution. If Congress may regulate all gainful business, what is to keep it, for example, from regulating newspapers? Might it not enact legislation to the effect that no newspaper may be sold in any state other than the one in which it is published? Might it not prohibit the dissemination of religious information?

But, it may be objected, these acts would be in violation of freedom of the press and of religion. So they would; Congress is prohibited from making such legislation by the First Amendment. The power of regulating interstate commerce is limited by the Constitution. One writer notes that there are four limitations upon this regulatory power in the original Constitution, relating to "importation of slaves and migrations of other persons into a state, imposition of taxes on imports and exports, and discrimination against one state in favor of another in ocean shipping."¹⁰

Much more to the point, however, are the limitations in amend-

ments. Not only are religion and the press protected by amendment, but life, liberty, and property are as well. The Fifth Amendment prescribes that "no person . . . shall be deprived of life, liberty, or property, without due process of law. . . ." The courts assumed that this restriction did not apply to state governments, but the Fourteenth Amendment made such an extension explicit: "nor shall any State deprive any person of life, liberty, or property, without due process of law. . . ."

Ownership Undermined

Life, liberty, and property are in a slightly different category from speech, the press, and religion. The Constitution contemplates occasions where the former may be taken away; whereas the latter are absolutely protected from congressional intervention. But life, liberty, and property are only taken by due process of law. It should be clear that these provisions have the purpose of limiting government action. It should be clear, also, that the regulation of interstate commerce may affect property. (It may also affect liberty, and perhaps life, but let the consideration be restricted here to property.) The Constitution provides for two occasions for the taking of property: by taxation and (by implication) by the right

¹⁰ *Ibid.*, p. 141.

of eminent domain. The taxing power is limited by the requirement that taxes be for the common defense and general welfare, and that they be uniform throughout the United States. The power of eminent domain may only be exercised when private property is taken for public use and just compensation is paid.

Any taking of property other than by taxation or eminent domain by the Federal government would be unauthorized. Any regulation which had the effect of taking property, or some portion of it, would have to follow established procedures, namely, those for levying and collecting taxes or those for condemning property. Otherwise, it would be unconstitutional because it did not observe due process of law.

My point is that the power to regulate commerce among the states has been used so as to take property. Take a simple case, the establishment of minimum wages. Whatever wages an employer paid, under this enactment, above what he otherwise would have paid would be property taken from him by the working of the law. It would be property taken not as taxes nor for which he had received compensation. Such confiscation would be unauthorized and in violation of the due process clauses of the Constitution. This

would appear to apply as well to state action as to that of the Federal government.

Regulation Involves the Taking of Property Bit by Bit

A nice distinction occurs at this point. The regulation of interstate commerce does not usually result in taking *all* of the property in question. It only takes some portion of it or some traditional (or natural) right to its use. It limits the right to buy and sell, to transport goods, to hire and fire, to contract, and so forth. It is an eminently effective device for taking property bit by bit and piece by piece. The gradual thrust to socialism has no more appropriate Fabian method in its arsenal.

While Congress and Presidents have been employing these methods ever more effectively, the courts have been weaving a fabric of opinions which enable them to evade responsibility for negating such action. The courts never did much, though they did some, to protect property from states under the Fourteenth Amendment. Early and late, they reduced this protection by declaring that states had an inherent power, which they had never yielded up, to exercise the police power to protect the health, safety, and morals of their citizenry. No mention is made of this in the United States Consti-

tution, and no exceptions for it are to be found in the Fourteenth Amendment.

Changing "Due Process"

As far as "due process" is concerned, the Supreme Court has, as regards property, reduced this to something that the courts can determine without reference to any objective standard. For example, Justice Roberts ruled for a majority of the Court in *Nebbia vs. New York* (1934) that "the guaranty of due process, as has often been held, demands only that the law shall not be unreasonable, arbitrary or capricious, and that the means selected shall have a real and substantial relation to the object sought to be attained.... The reports of our decisions abound with cases in which the citizens, individual or corporate, has vainly invoked the Fourteenth Amendment in resistance to necessary and appropriate exertion of the police power. . . ." ¹¹ There is in none of this language any reference to anything objective to which the courts must bow in making their decisions.

Other lines than these have been followed to override the constitutional limitations on the use of governmental power. The general welfare clause has been interpreted as if it were a grant of

power.¹² Courts have ruled, in effect, that there is a presumption in favor of the constitutionality of an act of Congress, thus tacitly placing the burden of proof on anyone who claims that it is not constitutional. Courts have turned limitations upon governments into requirements that governments provide some service. Examples of this can be found in such rulings as that states must provide counsel for those criminally charged and who are unable to afford it, that "civil rights" demonstrators must be permitted to use the highways of a state, and so on. In effect, the courts create "rights" (more precisely, privileges) by their decisions while they take away constitutional rights.

Advanced Decay

Whatever evidence and analysis should be summoned to support the judgment, there should be no doubt that a general flight from the Constitution has taken place. The obstacles in the way of using government to make over Americans have been, to a large extent, overcome, so far as the Constitution is concerned. The Presidents have taken over much, or most, of the initiative for legislation. The courts have made decrees that

¹² See, for example, Justice Cardozo's opinion in *Helvering et. al. vs. Davis* (1937).

¹¹ Commager, *op. cit.*, II, 300.

have no basis other than their wills. Many of those in Congress think of the Supreme Court as the only limitation on their actions, and the Court, as has been shown, is ill disposed to limit. The formal limitations upon the political activities of factions have been mainly overcome.

The balance of powers within the government has been upset, as Presidents and courts have gained power. Much of the power of the Federal government now resides in the least representative branches. The courts are not popularly elected, and the members can be removed from office only by difficult impeachment proceedings. This was not to be feared so long as courts applied the standing law, but as they have begun to innovate, the matter has changed. They are usurping powers that belong to the people. The dispersion of powers among the Federal and

state governments has been greatly altered as more and more power has been centralized in the Federal government. Departures from the basic and fundamental law of the land — the Constitution — signal lawlessness in high places. If the Supreme Court may interpret at will, what is to keep each man from doing so?

There is an answer to the last question. The answer is that he is kept from doing so by superior force. Force is being introduced into every area of life, but not by regular means. It is done increasingly pursuant to decrees and proclamations. In short, the power of government is being used to make over Americans, not by consent for that would hardly be given, but arbitrarily and capriciously. We are on a flight from the reality of our political foundations which evinces itself in a flight from the Constitution. ♦

*The next article in this series will concern
"Political Experimentation: The Four Year Plans."*

Back Issues and Binders

Back issues of THE FREEMAN, since October 1964 when this *Flight from Reality* series commenced, are available at 20 cents a copy. Also available at \$2.50 each are the 12-rod, blue Leatherlex FREEMAN binders.

FREEDOM TO SIFT & WINNOW

LOYAL MEEK

How can today's liberals be devoted to a free market for ideas and, at the same time, be opposed to the idea of a free market for goods and services?

One would think that a man who has an appreciation of the importance of academic freedom in the search for truth and knowledge would perceive the equal importance of economic freedom in achieving a better standard of living for all.

Strange to say, however, many of today's professors of the new sciences and the new humanities, while fervently defending their academic freedom, are engaged with equal fervency in destroying the concept of economic freedom in favor of some sort of politically managed economy.

One of the better expressions of the concept of academic freedom is this:

"...Whatever may be the limitations which trammel inquiry elsewhere, we believe that the great state University of Wisconsin should ever encourage that continual and fearless sifting and winnowing by which alone the truth can be found."

That may be paraphrased to give an equally good expression of the concept of economic freedom, thusly:

"...Whatever may be the limitations which trammel economics elsewhere, we believe that the great society of the United States should ever encourage that continual and fearless sifting and winnowing process of a free market by which alone prosperity can be found."

Mr. Meek is chief editorial writer of the *Milwaukee Sentinel*.

Teachers and students would object strenuously, and with justification, if the president of their university were to dictate what they had to think. Yet some teachers and students do not object—nay, some even vigorously advocate—that the president of the nation be given the power to decide what people can buy or sell, and for how much, rather than to let people make these decisions for themselves.

Why do so many who worship academic freedom scorn economic freedom? The answer seems to be that they lack the faith, the courage, and the wisdom to understand that the sifting and winnowing process is as efficacious in the market place of goods and services as it is in the market place of ideas, teaching, and research.

In state after state down through history—Red China being the current glaring example—where there has been no economic freedom there has been no academic freedom. The two go hand-in-hand. Those who want to preserve their academic freedom would do well to support and promote economic freedom. For, if the day ever comes when a ruling elite controls the economy down to the smallest detail, that will also be the day when a few men holding a monopoly of political power will control the academic community, down to the smallest detail.

The person who believes in academic freedom should, with equal fervor, believe in the free market system. ♦

IDEAS ON LIBERTY

Separation of Powers

THE ACCUMULATION of all powers, legislative, executive, and judiciary, in the same hands, whether of one, a few, or many, and whether hereditary, self-appointed, or elective, may justly be pronounced the very definition of tyranny.

JAMES MADISON, *The Federalist*, No. 47

Values, Exchange, & Profits:

THE BEDROCK OF ECONOMIC SCIENCE

FREDERIC BEACH JENNINGS, JR.

THE MOST BASIC questions in economic theory are those concerning *value*. What determines value? What are those factors that make a mere item have a value? A common error is that of speaking about values out of context. For example, if someone were to ask: "Does that rock have a value?," one's immediate reaction should be, "A value to *whom* for what *purpose*?" If that rock cannot be used (a) by someone (b) to achieve some goal, it has no worth.

Thus, the very employment of the term value presupposes the question, "Of value to whom?"; the concept "value" must be used in context. A given individual has a certain hierarchy of values,

whether explicitly or implicitly held in his own mind. However, these values are ultimately referable to the purposes set by that person for himself. A fisherman may consider fishhooks and fishing-line as quite valuable, since they have a high degree of importance relevant to his *purpose* of fishing. A writer will not find fishhooks of much use at all; he will want writing instruments; their worth *to him* is derived directly from the goals *he* has chosen. Thus, an individual's hierarchy of values is based on two things: (a) his hierarchy of purposes and (b) the degree of relevance to those purposes of the objects to be valued.

But then what is the relation of *prices* to value? It must be kept in mind that the existence of prices presupposes the existence of ex-

Mr. Jennings, a student at Harvard University, felt impelled by various classroom and campus discussions to try to clarify his principles of economics.

change. Without the latter the former would be unnecessary. Thus, in order to understand exactly how prices relate to exchange, the nature of an exchange relationship must be closely examined. Once again we must ultimately refer to individual values, always remembering that these only reflect that person's goals which he has chosen for himself.

Each Trader Gains

A voluntary exchange, by its own nature, always results in the mutual advantage of both parties, at least in their eyes. In terms of an individual's hierarchy of values, he will not tend to be willing to accept a lower value in exchange for a higher one. He will only be willing to act if he will be better off as a result of that action, i.e., if he will *profit* by it. In a barter economy, exchange will only take place if each party considers himself better off in terms of his value-preferences as a result of the trade. If I have a potato and a friend has a pear, it would only be to our mutual advantage to trade if he wanted the potato more than the pear and I the pear more than the potato. Both of us would consider ourselves to be better off after the trade. When a medium of exchange is introduced, longer-range and more complex exchanges are

made possible (thus enabling men to plan long-range and hence to expand their potentialities), but the principle remains the same. Voluntary exchange still works to mutual profit, by its very nature.

A common error is that which views exchange as involving two commodities of equal value, thus dropping the context of what a value is. This notion forms the basis for the conclusion that one man's profit must be at another's expense. However, one man cannot gain at another's expense by free exchange. Only when exchange is coerced may one party to the trade incur a loss.

Note that coercion is only necessary if the exchange wouldn't have taken place otherwise, i.e., if the exchange was *not* to mutual benefit. Thus, coercion is being used to create conflicts of interest rather than to resolve them, by using force to enable one person to profit at the expense of another. If each stands to gain by the trade, it will most likely take place of its own accord.

But how do prices fit into this framework of free exchange? The use of a medium of exchange in the economy facilitates trade relationships between men—this is the source of the value of money; it is good for the purpose of trade. However, money is only of worth to an individual consumer in that

it can be exchanged for values; *the degree of its value is only meaningful in the full context of the worth of the many commodities it can be traded for.* But what is the relation of prices to the consumer's values and goals? The price of an item is not its value; they are related but not identical. As previously observed, the item acquires value only in relation to the consumers' goals, and money gains its value from the worth to the purchaser of the things he can buy with it. Then the price only affects the relative gain to each party from the exchange.

Choosing among Alternatives

However, the individual consumer runs into many problems in deciding what specific exchanges to make. One of these is that of *calculating* a value previous to use, i.e., previous to exchanging another value for it. One person may buy a book for 95¢ which changes his life, gives him a whole new approach and outlook, and ultimately shows him the way to achieve happiness. Another may buy the same book and after reading it decide that he was gypped. The first person profited immeasurably from the exchange, and the second person's action resulted in what he considered a loss. However, at the time of purchase both bought the

book because they felt that they would be better off from the exchange. This is a difficulty that many socialist planner-theorists seem to overlook. In a market based on free exchange, at least, a consumer occasions a loss only from his own miscalculations, and may even learn from them and apply that knowledge to future choices, so as to avoid repetition of error.

The chances are, however, that the consumer will gain from exchanges, unless he is completely irrational in his choices, because of the way the market operates on producers' profits. We saw that both parties gain from a voluntary exchange; the price merely determines the relative degree that each profits. But in a competitive economy producers' profit-rates tend toward an average minimum. From this observation it could be argued that the largest profits in the free market are those that accrue to people as consumers!

Thus, it is my contention that the conventional view of profits as only accruing to the businessman's end of the exchange relationship is too narrow; that it gives a false picture of the true nature of voluntary trade. There is no conflict of interests inherent in trade relationships. Mutual profit provides the incentive for people to produce and trade; it is the all-important

fuel which keeps the economic engine progressing through human action toward the betterment of everyone.

Satisfy the Customer

In the light of my approach to values and demand, then, what is the source of producers' profits? If the use of coercive measures is not open to him (i.e., if the government acts to protect free exchange between individuals rather than to inhibit it, and does not engage in policies of protectionism, etc.), he has only one means by which he is able to *make money*. He must seek out and identify unsatisfied demand and attempt to fulfill it. This he can do by creating a new product which people will value in that it aids them in achieving their goals (thus making them better off); or he can raise his own efficiency in producing commodities already being produced and undersell the other producers, thus giving the consumer a better deal in the trade than his competitors have; or he can devise a new invention which will raise the efficiency of others' production and lower their costs and thus their prices and thus ultimately helping the consumer in that way.

There are many ways of making profits as a producer in a free-exchange economy, but all of them

have one thing in common. *They all ultimately must aim at improving the well-being of the consumer.* Through the legal protection of property and of uncoerced exchange, producers are rewarded by the free market commensurate with their ability to and success in satisfying consumer preferences.

However, I have been very careful about qualifying my conclusions relative to *free* exchange: what happens if these voluntary exchange relationships are inhibited by governmental coercion? What happens in a socialist or even a mixed economy in the light of my conclusions? It would appear that, at least in the consumers' own eyes, they would be not better but worse off than under a free-enterprise system, because if an exchange is to be mutually profitable it must be uncoerced. And goods must be produced to be consumed, so producers' profits are as important economically as consumers' profits.

Who Is to Judge?

But here we run into the moral question: are individual consumers competent to decide what is in their own best interests, i.e., what will improve their conditions of existence? Are they competent to decide their own purposes for their own lives? Or, will the planning of

production by someone else more nearly reflect the best interests of "society," i.e., of all individual members?

This question has been argued and will continue to be; it remains one of the more basic issues in the conflict between free enterprise and socialism. But if economics as a science is concerned with setting up conditions under which everyone will be better off, in their own estimations, then we can examine the effects of governmental inhibition of free exchange, whether it take the form of interventionism, fascism, socialism, communism, or any of the many variants of each.

Exactly how is this harm done? For example, what are the effects on business decisions of government price-fixing?

Consequences of Price-Fixing

One consequence is that the price is no longer a direct indicator of the dynamic balance between changing consumer value-preferences and evolving production conditions. The price thus is no longer meaningful in the context of market conditions. Thus, the scope of business decisions is considerably narrowed. Business managers no longer must view the price as an indicator of a great many other changing factors; they need only focus on the price itself, relative to their own production costs. Where-

as beforehand they based their decisions ultimately on varying consumers' preferences and attempted to anticipate new wants and fulfill them (thus producing directly *for the consumer*), once prices are planned, the scope of the factors upon which decisions are based is constricted and altered.

As for a mixed economy, the degree of interference will determine the extent of the change. Business decisions weigh heavily on price predictions, which in turn under socialism depend on the vagaries of economic planners with near-arbitrary control. Thus, as a result of this redirection in emphasis, in order to better his position the businessman may aim more at gaining political influence so the price can be adjusted to his advantage (at consumers' expense) rather than aiming solely at improving the lot of the consumer by more efficient production of values. Granted, price controls are a means of directing economic production, but let us not rationalize it by saying that it is "in the best interests of the consumer."

Once again we get back to the same basic question. If values are ultimately referable to individuals' purposes, then they cannot be quantified, calculated, and planned by anyone except that individual, and especially not by any central body. Production of *values* is best done

by letting producers aim solely at satisfying consumer demand, in an uninhibited market economy. The final issue remains one of whether a central planner can better decide what is in people's interests than they themselves can; i.e., whether businessmen should act according to the dictates of the consumer or of the planner.

***The More Complex the Society,
the More Need for Freedom***

If values are ultimately referable to individual purposes, they are not calculable or quantifiable in a developed economy. Possibly in an undeveloped, subsistence-level economy, values are to some degree predictable in that, by the very nature of life, survival requires certain actions of men. But when choices and alternatives become more complex, and men are not living a hand-to-mouth existence, men develop longer-range, more diversified purposes. Thus their value-hierarchies become more complicated and varied, and unless one aims at directing the very purposes of people's lives, it is best to leave it all to them. Since we are living in a highly integrated, complex society, we must direct our focus onto the problems of socialist planning in that context, in order to cover two final points. First, since attempts at "planning" do get so complicated, and

require so much gathering of information, many man-hours must be dedicated to this task. Would not these planners do more good for consumer well-being if they, too, directed their efforts toward the production of values?

Furthermore, a highly-developed and specialized economy is one in which many lives are crucially and intricately dependent upon exchange relationships and their fluidity. Men's professional purposes are so specialized that the fruits of their work may only be of value to a small number of others. The fluidity and sensitivity of a market economy enables these men to seek each other out — thus, men are free (to a certain extent) to specialize and exchange their productive work for other values, always to the mutual benefit of both parties. But it might be quite difficult to convince a "disinterested" planner that this highly specialized work was useful (he might not see things in the same light as the person to whose purposes this man's work had value). In such an instance, who is blocking "progress"? This problem might be intensified all the more in that socialism is partly based on the idea of intrinsic values, which, in the planner's eyes, this work might lack.

The practical problems of so-

cialist planning seem to be without limit in their number and complexity. My purpose in this essay has not been primarily to enumerate those difficulties, however, but rather to present my own claim that much socialist and interventionist theory is ultimately based (a) on an erroneous theory of the nature of *value* and

(b) on a subsequent misunderstanding of the nature of *exchange* and *profit*. My analysis of the nature of prices and the value of money merely follows from my other conclusions, as well as my espousal of a free exchange economy as the most efficient creator and protector of "social welfare." ♦

IDEAS ON LIBERTY

Profit-Seeking Business

THE ENTREPRENEURIAL FUNCTION, the striving of entrepreneurs after profits, is the driving power in the market economy. Profit and loss are the devices by means of which the consumers exercise their supremacy on the market. The behavior of the consumers makes profits and losses appear and thereby shifts ownership of the means of production from the hands of the less efficient into those of the more efficient. It makes a man the more influential in the direction of business activities the better he succeeds in serving the consumers. In the absence of profit and loss the entrepreneurs would not know what the most urgent needs of the consumers are. If some entrepreneurs were to guess it, they would lack the means to adjust production accordingly.

Profit-seeking business is subject to the sovereignty of the consumers, while nonprofit institutions are sovereign unto themselves and not responsible to the public. Production for profit is necessarily production for use, as profits can only be earned by providing the consumers with those things they most urgently want to use.

TOO MUCH SECRECY

DONALD ROGERS, who used to be the financial editor of the *New York Herald-Tribune*, would like to be the leader of a crusade. But unfortunately only a few straggling platoons have formed behind him. There is a promise in the air of a bigger army, but it is only a promise, and we should not delude ourselves into thinking the crusade is about to burst into full swing.

In a fighting book, *The End of Free Enterprise* (Doubleday, \$3.95), Mr. Rogers explains the nature of his crusade. It is to persuade American business to take a vastly augmented responsibility for re-creating a climate of opinion in the United States that will be favorable to the retention and expansion of a voluntaristic enterprise system. Having stated his desires and his hopes, Mr. Rogers then turns to and lets American capitalists have it right in the solar plexus for what he

considers is their failure to understand the philosophical bases of the system which they profess to support.

Mr. Rogers' troubles began when he made a supposedly off-the-record speech to a group of business executives at a Washington, D.C., "round table." Part of his speech was devoted to criticizing those executives for failure to throw at least some of their advertising to publishing media that still continued to fight socialistic and Big Government trends. As he tried to tell the executives, business has a responsibility to maintain a healthy competitive social climate as well as a responsibility to its sales departments and its dividend-hungry stockholders.

He wasn't asking the businessmen to boycott "liberal" newspapers and magazines of large circulation which are admittedly the best advertising media when it comes to marketing widgets,

gadgets, and buy-now-pay-later trips around the world. But he did think it shortsighted of the executives to let struggling pro-business journals go down the drain for lack of "institutional" advertising nourishment. Without a thriving pro-business press, the institution of the free market is in danger of being enfeebled, and with its enfeeblement the sales of widgets, gadgets, and trips around the world would automatically shrink.

The Secret Is Out

Mr. Rogers' "secret" speech didn't remain secret for very long. A memorandum designed for executives who couldn't attend the meeting fell into the hands of Barry Goldwater, who was so impressed with it that he had it printed in the *Congressional Record*. Next, *Human Events* printed it and offered reprints. Then it appeared in *Vital Speeches*. Altogether, two million copies of it have been made and distributed. The "left," of course, yelled that Mr. Rogers was trying to interfere with the editorial integrity of great newspapers by advocating that "advertising pressures" be brought to bear on them. Mr. Rogers retorted that people have the right to use their money as they see fit, and that a businessman owes it to his stockholders to

try to buy a healthy business climate just as much as he owes it to them to sell goods. But the retort was drowned out by the chorus from the "left." His own paper disclaimed responsibility for his views, and the business community remained silent when he was forced to quit his job.

Mr. Rogers is not a bitter man, but all of this has left him a bit piqued, to say the least. In *The End of Free Enterprise* he accuses the business community of timidity and of failing to understand its own predicament. He wonders why businessmen subsidize committees which underwrite the distribution of textbooks that advocate Marxian tax policies and super-Keynesian spending programs. He criticizes businessmen for giving big donations and bequests to universities whose economic and political "science" departments are against the free enterprise system. He wonders why the money spent on "public relations" by business buys so little in terms of fostering a salubrious competitive climate. Discussing the efforts of the General Electric Company to defend its right under the First Amendment to explain its wage policies to union members, Mr. Rogers wonders where the other big corporations were when the National Labor Relations Board attempted to silence GE. The GE fight was

their fight, too, he says, but only the Chrysler Corporation seemed to realize it.

Above all, Mr. Rogers criticizes business for failure to anticipate the government in attempting to solve problems of unemployment, "technological illiteracy," and so on. He says the "public relations" of business "does not relate."

NAM Program Provides Help for Drop-Outs

Much of what Mr. Rogers says about business timidity is all too true. But some things have been changing recently. The National Association of Manufacturers, which Mr. Rogers criticizes for following bland policies calculated to offend nobody, has recently decided to run its own pilot programs designed to make high school drop-outs employable. The NAM has been picking delinquent kids off the streets of Harlem, giving them intensive schooling, and getting them jobs when they prove themselves capable of handling them. The NAM cannot wipe out the problem of the "unemployables" all by itself, but it hopes to "sell" its drop-out education program to business organizations in Chicago, Indianapolis, and Peoria. At last reports the NAM idea had been taken up by some Chicago industrialists. There is no reason why business should not train its own

personnel, and many of our drop-outs are good material.

Mr. Rogers thinks the members of the American Medical Association had Federal Medicare thrust upon them because they were on the freight train when it came to proposing practical voluntary alternatives to Medicare. He notes that the doctors did come up with an "eleventh-hour" alternative, but by this time Congress had decided to act for itself. "The lesson," says Mr. Rogers, "is this: If *you* don't meet all of the needs as they develop, the government will." Thus he serves notice on the AMA to forestall a Federal adventure in providing "kiddie-care" by coming up with a voluntary kiddiecare plan that will make Congressional action unnecessary.

The Independent Sector

Finally, Mr. Rogers criticizes business for not being more nimble in telling its own great story. Businessmen, as he points out, have created and conducted United Funds all over the country, which "have kept the Federal government and even the local governments out of much of the welfare business." Business has donated millions to the private colleges and universities. Its support of the arts has actually been prodigious. It has provided "medical insurance for employees to such

an extent that the government has never even considered medical aid for the workingman."

All of this has been part and parcel of preserving an atmosphere of voluntarism that enables free enterprise to flourish. But the professional public relations experts whom business employs to tell its story haven't dramatized the actual accomplishments of what Richard Cornuelle calls the "independent sector" in meeting social needs.

Mr. Rogers' criticisms of the business community are offered in a constructive mood. The man is a friend of business. He is tired of seeing businessmen blush and stammer when they are called "buccaneers." Frankly, Mr. Rogers likes buccaneers; he only wishes we had a few more of them around. ◆

► **THE MOST OF MALCOLM MUGGERIDGE** (New York: Simon and Schuster, 1966, 367 pp., \$5.95)

Reviewed by Robert M. Thornton

THE SUBJECTS of this sparkling collection of short pieces by the British critic run the gamut from Kennedyism, pornography, and the Christian churches to credulity, Shakespeare, and the BBC; and from the pen of this free-swinging journalist they make for delightful reading.

Just where MM stands in the

political spectrum is not clear from the book under review; considering the swipes at Mr. Goldwater and the late Senator Joe McCarthy, he is certainly not a member of what is called in our country the "radical right." But then he turns his guns on Lord Snow, the Fabians, and the admirers of Joe Stalin and the Russian Revolution. The value of a fellow like Muggeridge is his willingness to speak out disinterestedly against any and all men whenever, in his opinion, they err grievously. He has not sold himself to a party or to an ideology; like H. L. Menck-en, he spares no one.

What will endear Muggeridge to all enemies of modern "liberal" orthodoxy is his unceasing assault on its underlying premise: the idea that man is really a good sort, you know, nothing wrong with him that a better environment and all that won't take care of nicely.

Muggeridge — on the side of the angels here, if not elsewhere — comes out strongly for the good Christian doctrine that man is a flawed creature who falls far short of perfection. "To proclaim a kingdom of heaven on earth," writes Muggeridge, "is both deceptive and intrinsically absurd. The maintenance of such a notion requires mental gymnastics so extreme and so strenuous that they usually produce dementia."

Since all men and all human institutions are imperfect, none is beyond criticism: "In a healthy, civilized society everyone and everything should be open to ridicule. Indeed, I would go further and contend that the degree of health and civilization in any given society bears a direct relation to the degree to which this principle operates. Taboos, where humor is concerned, are an admission of doubt, and derive from a sense of weakness and insecurity. The truly religious take no offense when attention is drawn to the absurdity necessarily inherent in the dogmas to which they subscribe and the ceremonies in which they participate. Protests invariably come from the conventionally religious, from the formalists for whom the dogmas and the ceremonies constitute the whole content of their faith. It is the same with politicians. Those who most object to being ridiculed have least confidence in the policies they advocate. It is the same with moralists. If they complain that some cherished principle is blasphemed by the humorous treatment of its application, then it is certain that in their hearts they doubt the principle's ultimate validity."

"Worldliness," Muggeridge writes elsewhere, "is by its nature, a highly romantic attitude; only mystics know how to be skeptical."

And a "skeptical turn of mind . . . is induced only by holding fast to truth."

At a time when so many intellectuals are trying to outdo each other in describing the sartorial splendor of the emperor, it is a great pleasure to read one who with fine humor tells the awful truth. "There is," declares Muggeridge, "nothing serious under the sun except love of fellow mortals and of God." ♦

► *FAULKNER IN THE UNIVERSITY* edited by F. L. Gwynn and J. L. Blotner, New York: Vintage Books, 1965, 294 pp., \$1.65.

Reviewed by Robert M. Thornton

WILLIAM FAULKNER served as writer-in-residence at the University of Virginia from February to June in 1957 and 1958; and this book contains his lectures together with a transcript of the ensuing discussions. "The first attraction of such materials," Edmund Fuller has written, "is immediacy. We feel a direct communication, the presence of the living person through the spoken word in spontaneous talk. Also we get an insight into the creative process—not the blueprint of a process that would fit anybody else, of course, but the disclosure of how one skilled man worked at his craft."

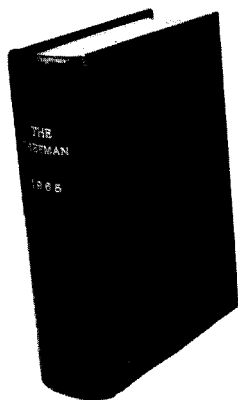
Early in his career Faulkner be-

came an idol of avant-garde writers and political "liberals," but these turned away as they perceived "the essential conservatism latent in his work and specific in his statements." His stand on the Negro situation, for instance, put him in the doghouse not only with Southern segregationists, but also with Northern radicals who would bring about integration at the point of a gun. Faulkner sympathized with the plight of the Negro, but he was not so sentimental as to think that mere legislation would provide the solution. Rather than force, Faulkner saw persuasion and education as the means to the desired end. He reminded Negroes and their friends that responsibility goes hand in hand with rights, and he reminded his fellow Southerners of their duty to bring an end to the injustices suffered by Negroes in their communities.

Faulkner was strongly opposed to "the mythology that one single individual man is nothing, and can have weight and substance only when organized into the anonymity of a group where he will have surrendered his individual

soul for a number." One best combats collectivism, he said, by resisting the pressures to relinquish individuality. He believed that the "individual is more important than any mass or group he belongs to. That the individual is always more important than any state he belongs to. That the state must never be the master of the individual, it is the servant of the individual. That . . . to retain that superiority over the state, the individual must be independent of the state, he mustn't accept gratuity from the state. He mustn't let the state buy him by pensions or relief or dole or grant of any sort."

Faulkner, unlike many of his fellow writers, perceived the tragic element in the human situation. Men are often treated pretty roughly by fate, but this is no reason to regard man as a mere pawn in the hands of forces beyond his control. For man does have freedom of choice; he is thus a responsible creature and as such can find meaning in his existence. Man, Faulkner affirmed, will not merely endure; he will prevail. ♦



BOUND VOLUMES OF
The Freeman—1965

Attractively sewn in a single volume with hard cover, the 12 issues from January through December, fully indexed—768 pages, for handy reference to the latest literature on freedom.

Only \$5.00

These bound volumes of THE FREEMAN match in appearance and otherwise continue the 12-volume series of *Essays on Liberty* containing selections from THE FREEMAN and other Foundation releases back to 1946. (A separate cumulative subject matter, author, and title index is available for the 12 volumes of *Essays on Liberty*. \$1.00.)

Bound volumes of THE FREEMAN for 1966 will be available shortly after the end of the year.

ORDER YOUR BOUND VOLUMES NOW!

THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, N. Y. 10533

Please send me:

THE FREEMAN for 1965 \$ 5.00 ☐

THE FREEMAN for 1965 and 1966 (The 1966 volume
to be shipped when ready) \$ 9.00 ☐

ESSAYS ON LIBERTY (Set of 12, with cumulative index) Cloth \$30.00 ☐

Paper \$20.00 ☐

☐ CHECK ENCLOSED

☐ SEND INVOICE

NAME _____

STREET _____

CITY _____

STATE _____ ZIP CODE _____

THE *Freeman*



THE GOOD LIFE

■ For no one would say that a man was happy who had no fortitude, no temperance, no justice, no prudence, but was afraid of the flies that flew around him; nor would abstain from the meanest theft if he was either hungry or dry, or would murder his dearest friend for a farthing; and also was in every particular as wanting in his understanding as an infant or an idiot. These truths are so evident that all must agree to them. . . . Let us therefore be well assured that every one enjoys as much happiness as he possesses virtue and wisdom, and acts according to their dictates. . . . It is evident that government must be the best which is so established that every one therein may have it in his power to act virtuously and live happily.

ARISTOTLE, *Politics*

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE *Freeman*

IDEAS ON LIBERTY

OCTOBER 1966

Set My People Free	Edward Y. Breese	3
The Cost of Living	Paul L. Poirot	8
The Case of the Free Rider	Peter Farrell	12
The Supremacy of the Market	Ludwig von Mises	17
Men of Prey	Leonard E. Read	21
Punch Decries "No Compromise"	Punch	28
The Flight from Reality:		
25. Political Experimentation, The Four-Year Plans	Clarence B. Carson	30
Canute and the Counting of Noses	Willard M. Fox	44
Visit with a Headmaster	Timothy J. Wheeler	49
The First Liberty Library	Murray N. Rothbard	56

Books:

For Want of Something Better	John Chamberlain	60



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



WHAT'S INFLATION?

Send for your copy of President Joe Crail's
FREE informative SPEECH and find out what
YOU can do to stop inflation.

Individual financial security is one way to help keep our nation
economically strong. A Coast Federal Savings account is designed
to encourage you to save.

SAFETY

Sound, Conservative Management
Insured Savings Accounts

CURRENT RATE...

HIGHER EARNINGS

5

$\frac{1}{4}$ %
minimum
on regular
savings
accounts

5

$\frac{1}{2}$ %
systematic savings—
and on 3 year accounts
of \$5,000 to \$9,000 in
multiples of \$1,000

5

$\frac{3}{4}$ %
on 3 year accounts
of \$10,000 or more
in multiples
of \$1,000

CONVENIENCE

Save-by-Mail pays AIR MAIL postage both ways

COAST FEDERAL SAVINGS AND LOAN ASSOCIATION

Department F1, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of "What's Inflation?"
☐ I enclose my check (or money order) for \$_____
☐ Please open a Coast Federal Savings account—
☐ Individual
☐ Joint in the name(s) of

NAME _____

STREET _____

CITY _____ STATE _____

6-112A2



COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

- ✓ One's practice of freedom may be hindered by others, but there isn't any way to be free without doing it yourself p. 3
- ✓ The cost of living tends to rise in proportion to the extent that we let government lead our lives p. 8
- ✓ Peter Farrell finds occasion, in the rash of strikes among transport workers, to re-examine the case of the "free rider" p. 12
- ✓ Dr. Mises offers some further thoughts on the wages of union violence in a timely selection from an earlier study p. 17
- ✓ And Leonard Read follows with his own interpretation of the causes and consequences of the predatory actions of some persons against others p. 21
- ✓ A cartoon from **Punch** calls for a contrary view of the uses and abuses of compromise p. 28
- ✓ In approaching the conclusion of his series on **The Flight from Reality**, Dr. Carson finds in Presidential 4-year plans some startling departures from the American tradition p. 30
- ✓ A market research specialist points up some of the pitfalls of basing political action on the results of opinion polls p. 44
- ✓ Timothy Wheeler finds something new in educational procedures and results when he visits the Academy of Basic Education, near Milwaukee p. 49
- ✓ Who was Thomas Hollis? Murray Rothbard reminds us of the important role Hollis played in establishing liberty in America p. 56
- ✓ Robert Lekachman's **The Age of Keynes** seems to John Chamberlain to be the same old story, however well written p. 60



A MONTHLY JOURNAL OF IDEAS ON LIBERTY

OCTOBER 1966

Vol. 16, No. 10

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

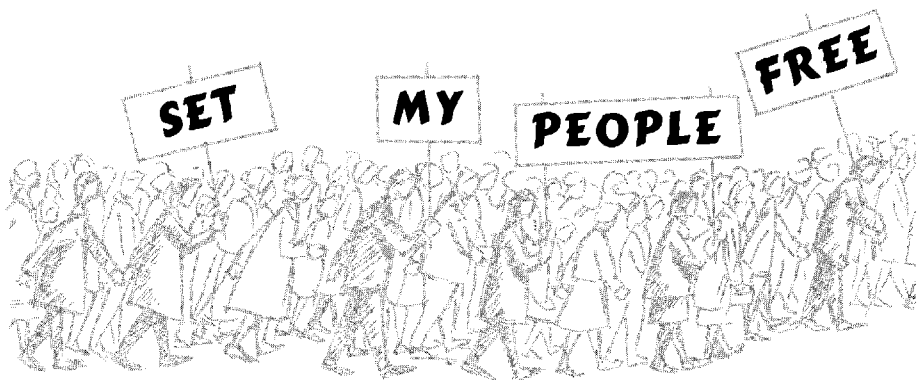
Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except the cartoon from **PUNCH**, "The Flight from Reality," and "Visit with a Headmaster."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.



*Unless a man is already free within himself,
any attempt to give him "freedom" by law
may only succeed in enslaving
everyone concerned.*

EDWARD Y. BREESE

IN THE DECADE to come we are going to have the chance to see whether, in fact, "freedom" can be "given" to a large segment of our population by laws carefully designed for that express purpose and backed by the full authority of Federal power. I refer, of course, to the so-called Civil Rights legislation and the people it is planned to assist.

Certainly the laws already passed, and those projected for the near future, remove former barriers and open the legal doors to the free exercise of various and sundry "rights" for all citizens.

The question then becomes one

of whether the new legal status of these people does actually constitute freedom. Is freedom really a matter of legal status? Does it depend upon laws and courts? Is it something that can be conferred or granted? Or is this only an illusion held by the civil rights people and their supporters?

The dictionary (Webster's *New World Dictionary of the American Language*) is not much help here. It defines a freeman as (1) a person not in slavery and (2) a citizen.

If the first definition offered could stand alone, then there would be little doubt as to what is taking place. Laws are being passed which specifically spell out a status "not in slavery" for all classes of our

Mr. Breese is former chairman of the Department of Humanities, School of Engineering, at Embry-Riddle Aeronautical Institute in Florida.

population. Freedom to move legally within the framework of society is being offered to all.

The Qualities of Citizenship

But how about the second definition of the freeman? Is it possible to make a citizen or does the individual have to possess or earn the innate capacity for true citizenship?

If it is argued that freedom is entirely a matter of legal status, then it must further be assumed that all men are born equal in all respects except for legal position. This is a manifest absurdity and is only professed today by those who feel they have no other claim to the respect of their fellows.

Quite the contrary. A freeman must be, in the fullest sense, a citizen of his society. He must be psychologically as well as legally free. He must be able and willing to assume responsibility, to make intelligent decisions, to earn and hold his place as an equal among his peers.

Men and women who are free in this sense do not depend upon legal status for their freedom. Indeed it is impossible to make them anything else but free by even the most stringent of laws and the most efficient of police states. History is full of examples which bear out this point from the rebel followers of Spartacus to the black

Marroons of Jamaica to the "Underground" fighters of World War II.

The very presence of black slaves in the New World was primarily due to the fact that the native Indians, already on the ground and militarily helpless before Spaniard and Englishman, either could not or would not be enslaved in any numbers. In those areas where the Indians could be brought to labor on an *estancia* or *hacienda* system there was never any major importation of blacks, but even here the native was held in peonage rather than chattel slavery.

Freedom Lies Within

Through the whole record of mankind it is the freemen in the sense of the second definition, "those who are free within," who have been responsible for the growth of democratic institutions and of free enterprise and freedom of intellectual activity. These were the people who wrote the American Constitution and who sought to create legal freedom of opportunity for all.

But they did not at any time fall into the delusion that a man could be made free by law unless he had within himself the inherent capacity to think and act as a free man.

History is also filled with ex-

amples of individuals and groups who have voluntarily surrendered the rights and privileges of a legally free status in return for other values which seemed more important to them at the time. Chief among these values has always been "security."

The ancient world is full of examples, perhaps the most spectacular being the tendency of small freeholders to attach themselves to the latifundia at the time of the decline of the West Roman Empire. Even in their day this sort of movement was not new.

There must have been much the same urge which consolidated a formerly village and nomad population under the absolute rule of priest and priest-king when Ur of the Chaldees was still a new foundation.

In our own day the millions who flocked to don black or brown shirts or to wave the red flag in the name of monolithic European states were psychologically and emotionally motivated to follow a similar path.

This is also true, to only a slightly lesser degree, of our friends who enter governmental or corporate civil service hierarchies because of what they feel to be a benevolent security factor or who place their emotional dependence upon an authoritarian-based "great society."

The Fallacy of Social Security

The fallacy needs no exposition to the intelligent reader, yet is far more widespread than many may realize. When the innate conservatism of thinking of the ordinary man is understood, the prevalence of the attitude is more easily grasped.

After all, the iron shield to which the security seeker turned in A.D. 450 - 650 *was* reasonably effective in securing him protection, just as the mud brick walls of the citadel at Babylon had been. The price for protection was higher than a psychologically free man would want to pay, but at least it bought a considerable measure of the desired commodity.

The serf and the master were both human and recognized a mutual obligation. A law, on the other hand, is only a legal entity which neither feels nor acts of itself. The price of liberty, under law, must still include eternal vigilance.

There are, then, two kinds of freemen, just as the dictionary recognizes. There are those who are legally not slaves, and there are those others who are free in mind and spirit and in the willingness to act in all ways as free men. It is the latter group to which humanity has always had to look for true leadership.

Freedom is within the individual and a free society must be

composed of men who are psychologically free.

One of the greatest questions of our day, then, must be the extent to which the masses of people (in the world as well as the American society) who have recently been "given" a status of legal, or nonslave, freedom are capable of assuming the rights of truly free citizens and the obligations which accompany these rights.

If a majority of these newly freed citizens can stand up as genuinely free men, or if they can be inspired, trained, or encouraged to do so, then there is little cause for concern.

If they cannot or will not do so (and the second is the greater danger) then there are, indeed, dark and stormy days to come.

Should our society choose to place its dependence upon a vaguely legalized "freedom," it will tend more and more to the creation of the ultimate in monolithic state Authority. Neither the virtues nor the abilities of the free man will be wanted, no matter how much they will be needed.

In this case to what extent will the dependent prove unable or unwilling to tolerate the presence of the free spirit and the independent mind? To what extent will the flight to security tend to hold back what should otherwise have been the rising tide of the future?

A Qualified Electorate

It is not enough, or even of any particular value, to insure free exercise of the ballot to all residents within a given state or nation. The really important thing is the creation of *qualified* voters rather than just voters per se.

This is the true responsibility which rests today upon the shoulders of our American civil rights people and their friends and upon the shoulders of the "one man-one vote" advocates throughout the world. If they are to really help their people, it must be by leading them to "citizenship" in the fullest and best sense of the word.

The real revolution must be within the new freemen rather than in the laws of the land. They must learn to seek responsibility instead of license; service instead of privilege. They must learn before it is too late that a ballot carelessly or passionately cast can destroy them as well as the society of which they are a part.

This is a truth which applies equally to the new nations of Africa and Asia and the old countries in the black belt of our own South.

Unfortunately, many of the "leaders" currently riding the crest of the tide of change show little observable sign of realization of the tremendous responsibility

which rests upon their shoulders. As in all "revolutions," the voices of moderation and of liberalism are already being drowned out by the increasingly passionate cries of extremists. The voices cry for political organization, for demands upon the people and the public purse, and for more and more extreme legislation. A few are already beginning to cry for blood.

If this trend is allowed to continue, history teaches that it can only result in reaction, counter-revolution, and repression. What little has been gained will be lost to all.

Neither do the people in authority at the Federal level show any present indication of providing constructive leadership and needed counseling to the "new freemen." Schools are forcibly desegregated, but where are the courses in true citizenship? Federal marshals, attorneys, registrars, and even troops are sent into the troubled areas, but these cannot make citizens; they can only create voters.

If the job of assisting these people to attain true citizenship is to be done at all, it will have to be as a result of the efforts of

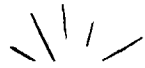
individuals who recognize the need and take personal action to encourage and promote a solution.

A Job for Individuals

The emergency—for it is a national emergency—should be brought to the attention of educators and job counselors at the local and state level. Civic groups and citizens associations should be alerted by their members. A concerted effort should be made to demand constructive leadership from political authority at all levels.

The situation calls for action as well as consideration by the present freemen of our nation and our society. This will, as it always must, get results. There is no greater power than the power of the aroused and vocal individual.

Above all, we must have faith in the long-run power and triumph of freedom and of the free man. We must have faith in the capacity of large numbers of the "new freemen" to become new citizens, and we must actively seek to aid in this growth. It cannot be left to chance or to the leadership of the political opportunist or the economic exploiter. ♦



THE COST OF LIVING

PAUL L. POIROT

THE HIGH and rising cost of living is of such grave concern to so many people that further government action is being considered to alleviate the situation. Scarcely a day passes without some mayor or governor denouncing the latest advance in the price of bread or milk or a city council or state legislature launching an investigation of marketing practices, rental rates, commuter fares, or other complaints of consumers. But the problem obviously is national in scope, and increasingly the call is for Federal intervention and relief. Nor has Washington been hesitant in answering that call.

There is a long history of Federal regulation and control of business practices through such offices as the Federal Trade Commission, Interstate Commerce Commission, Federal Communications Commission, Federal Power Commission,

Civil Aeronautics Board, Pure Food and Drug Administration, Department of Agriculture, Department of Health, Education, and Welfare, Department of Housing and Urban Renewal, and many others. Congressmen and their committees are continuously probing for unethical business practices that might prove detrimental to consumers. The President has a Committee on Consumer Interests, and there is a National Commission on Food Marketing, among others.

With so much governmental activity for their protection, American consumers might be expected to be grateful and let it go at that. But, not so. Housewives continue to complain about the soaring cost of living and their inability to make ends meet when meat is priced at more than a dollar a pound. Meanwhile, Department of

Agriculture statistics show that "the farmer's share of the consumer's dollar" persists in its long downward trend, despite the billions of Federal aid pumped annually into various compartments of the farm price support program. Since food processors, packagers, and distributors stand between producers and consumers, they are bound to be prime suspects in this situation. And the government is determined to discover and discourage all business practices that may be accountable for the high cost of living.

Under such intensive search and scrutiny, some sharp operators and some unethical practices doubtless will be found. Even the most ardent advocates of competitive private enterprise would expect some participants to foolishly try to pursue their supposed self-interest to the detriment of others. But the Federal government never will find the real culprit behind rising living costs. Indeed, no power structure should be expected to recognize and correct its own abuse of power. The Federal government probably cannot see, and certainly could never admit, that its own actions are causing the high prices consumers deplore. If such a situation is to be corrected, it must be done by individual citizens, one by one, as each comes to realize that govern-

mental compulsion is not an effective substitute for the market price system of bringing supply and demand into balance in the real world of scarce resources and insatiable human wants.

The Government as Consumer

In the market economy, the consumer is the ultimate decision-maker. His purchases determine what may be profitably produced and sold. The market, as such, is neutral; market prices may serve to guide but never to compel a consumer to choose one commodity or service above any other. Nor does the market distinguish among consumers or discriminate against one as compared to another. As far as the market is concerned, the government is just another consumer bidding for the available supplies of scarce goods and services.

The government, of course, would be expected to police the market to see that honesty prevails among buyers and sellers and that fraud and violence are curbed. A supplier's package ought to contain what his label says it does. And a buyer's money, or whatever he brings in exchange, ought not to be counterfeit. The apprehension and punishment of counterfeiters presumably is a governmental duty.

In the customary market trans-

action, each party offers something the other party wants. A buyer also is a seller, and vice versa. That a buyer offers money customarily signifies that he has earned it and saved it from a prior market transaction. Sellers accept money in faith that it may be used to purchase some other useful item in turn. But a counterfeiter creates money fraudulently without bringing any useful goods or services to the market. If he can pass the counterfeit money undetected, he withdraws from the market useful goods and services but leaves in the market an extra supply of money. This means that more money is chasing fewer goods and services. The level of prices may be expected to rise in such a situation.

Fluctuations and Trends

Now, a crop failure or disaster of one kind or another may result in the temporary scarcity and higher prices of certain marketable items. Or, more or less sudden changes in consumer preferences may cause some prices to fall, or perhaps to rise, for a time. Prices of individual items may be expected to fluctuate to reflect changing supply and demand in an open market. But if the cost of living soars across the board for nearly all items, and continues to rise month after month and

year after year, the great probability is that a master money maker (inflator) has entered the market on a major scale. And this is precisely what has happened to the cost of living in the United States in our time.

So, it is important that counterfeiters be apprehended and kept out of the market; and this task ordinarily is delegated to government. But the rub is that the Federal government itself can be and has been the great inflator, withdrawing scarce goods and services from the marketplace in exchange for irresponsible promises to pay.

This is not to say that all government purchases are inflationary. To the extent that the government withdraws money from taxpayers or bond buyers who have earned it in the market, the government has more money to spend, other buyers have less, and the total quantity of money in the market remains substantially the same as before the taxes were collected or the money borrowed from bondholders.

But the Federal government also obtains purchase orders on the market by issuing bonds and selling them through the Federal Reserve banking system, the banks in turn using those bonds as legal reserves and thereby adding enormously to the total supply of money in the market. And this

deficit financing through a fractional reserve central banking system is the process by which the Federal government acts as the national inflater of the currency.

The prices of pork and beef and red meat generally are high in the United States today, not because farmers are deliberately withholding supplies or packers taking extra margins or distributors and retailers gouging consumers, but because the government as the leading consumer has been buying not only meat but all kinds of other goods and services, withdrawing them from the market and pumping into the economy billions upon billions of fiat money which the market has no way of distinguishing from the dollars of its honest customers.

Fiat Money Inflation

Everything the Federal government spends in the so-called "public sector"—public housing and urban renewal, Federal aid to education, farm support programs, special privilege handouts to striking unioners, foreign aid, military expenditures, moon shots, and on *ad infinitum*—every dollar government spends in excess of what it currently collects from taxpayers and bondholders other than

banks comprises fiat money the presence of which is reflected in the so-called "private sector," showing in the family budget as high priced bread and meat and a rising cost of living

When the government buys guns with fiat money, that money flows through the market and eventually into the hands of housewives who use it to bid up the prices of butter and of other consumer goods that go to make up the cost of living.

If the housewives of Podunk want the price of food in local grocery stores to decline, then they'll have to vote down Podunk's proposed new Post Office, Podunk's Federal Urban Renewal and Public Housing projects, Podunk's share of Federal aid for education, and every other Washington promise of something for nothing. The Federal government has nothing stored away from which these handouts may be painlessly plucked. They can only be handed out insofar as they are currently withdrawn from the market. And every such withdrawal by inflation—by consumers who put back nothing useful in return—is bound to show up in the rising price of bread and other necessities, in the higher cost of living. ♦

THE CASE OF THE *Free Rider*

PETER A. FARRELL

THOSE among us who persistently support economic arrangements of a compulsory nature and who, ironically enough, are called liberals, have rallied stoutly to the proposition that no worker should be allowed to withhold support from a union favored by the majority. The worker who resists such a union exposes himself to heavy attack. One clergyman, for instance, refers to the activities of the "free rider" (the nonunion man on a unionized job, in case you haven't heard) as being "inequitable, unjust, and *immoral*"¹ (emphasis added). A college ethics text describes² the nonunion man

on a union job as "a parasite" who "share(s) in the common good without contributing to that good." According to this learned view it would seem that a worker earns his way in society not by actually working but rather by paying his union dues.

The argument by which the independent worker has been transformed into a social leech has been exposed and refuted time and again but, like the "machines throw men out of work" fallacy, it refuses to die.

In the first place, union dues are used for many purposes other than the support of collective bargaining which allegedly makes possible the good things which workers receive. They are used to support political candidates and programs, and, as has been abundantly documented by various official inquiries, they are sometimes tapped by unscrupulous union

¹ Jerome L. Toner, O.S.B. in *Right-to-Work Laws and the Common Good*, a pamphlet by the United Steelworkers of America, p. 10.

² Herbert Johnson, *Business Ethics* (New York: Pitman Publishing Corp., 1956) pp. 262-63.

Mr. Farrell is Instructor of business and economics at Marist College in Poughkeepsie, New York.

leaders for their own personal use.

That a worker should be forced to contribute funds to political causes which he actually opposes seems illiberal and undemocratic to say the least. Nor can union participation in American politics be written off as insignificant. It is indeed a crucial factor in many elections. That a worker impairs the common good when he refuses to subsidize the various undesirables who have gained power in the labor union movement is ridiculous on the face of it. It is well to recall in this regard that the Teamsters Union with 1.5 million members is the largest single union in the United States.

Those favoring the union line in the compulsory union controversy usually imply that the union is forced to "service" nonunion workers by representing them at the bargaining table. But as one critic of compulsory unionism has aptly replied:

What is not told is that "exclusive representation" (by which a union bargains for all employees in the bargaining unit and not just its own members) was fought for strenuously by the unions on the grounds that if they did not bargain for nonunion workers, the employer could use favoritism toward the nonunion workers as a means of destroying the union . . . therefore it should be pointed out that

nonunion workers in an open shop today are not free riders but forced riders since under the Taft-Hartley Act they lose their right to bargain with their employer and are forced to bargain through the union.³

The issue is thus in clearer focus. The union chieftains fought for the elimination of the right of nonunion workers to contract for their own wages. Having achieved this, they and their intellectual champions have proceeded to castigate the nonunion men for not supporting the very organizations which have caused them to lose an important right. The last thing the unions would want would be a situation where they no longer had the extraordinary power to bargain for all workers within the bargaining unit.

Limits to Union Achievements

As decisive as these points are in deflating the free rider indictment, more basic factors deserve consideration. The free rider charge, after all, is based on the assumption that unions do in fact produce higher wages for workers. Now, economic theorists are in general agreement that through concerted action (refusing to work

³ Edward A. Keller, *The Case for Right-to-Work Laws*. (Chicago: The Heritage Foundation, 1956), p. 42.

at less than a prescribed wage), resource suppliers (workers) can force the price (wage) that they receive for their resource (an hour's labor), above the level that would otherwise prevail. All of this, of course, is exactly what a union attempts to accomplish.

However, the higher price for labor bears with it unpleasant side effects. Most notably, the substitution effect would set in at two possible levels. The employer, for one, would substitute those alternative resources (automated machines, for example) which under the new conditions are cheaper than manpower. Consumers of the finished product, on the other hand, would be encouraged to substitute whatever finished products the market provided at a now cheaper price. The greater the possibility of substitution at the two levels, the more drastic would be the reduction in the use of the resource following an increase in its price, or in our case, the greater would be the number of workers laid off.

With this analysis in mind it is not surprising to learn that widely noted statistical studies have shown that a great many unions are ineffective in raising wages.⁴

⁴ Albert E. Rees of the University of Chicago estimates that one-third of U.S. unions have had no effect on wages. See *Wage Inflation* (National Industrial Conference Board, New York, 1957) pp. 27-28.

The union leaders in question recognize that higher wages would result in widespread and immediate unemployment. They are forced, therefore, to accept what is offered. Such unions seldom make the headlines and their presence, therefore, is likely to go unnoticed. Clearly, the free rider charge is meaningless in this situation based as it is on the assumption that the union does produce results.

Sometimes, however, substitution of other resources by the employer or other finished goods by the consumer is unfeasible in the immediate future. Here, the union leader is likely to make bold demands for wage increases. If the demands are not met, a strike will be called and efforts made to insure that operations are suspended for the duration of the strike. If the company voluntarily shuts down, the strike likely will proceed on an uneventful note; but if it attempts to continue operations (which, of course, it has every right to do) union-incited violence becomes a likely result. Mass picket lines will be set up to isolate the plant from raw materials and willing workers. Cars entering the plant will be overturned, while workers attempting to enter by foot will be punched and shoved and subjected to the rawest kind of verbal abuse. Acts,

which in any other circumstance would result in prompt arrest, will curiously enough be overlooked by local authorities.

In May of this year when a taxi strike developed in New York City, eight drivers who defied the union by continuing to operate had their windshields smashed.⁵ Another had sugar placed in the gas tank of his cab. The mayor of the city reportedly considered this situation "... normal as can be with a taxi strike."⁶ No arrests were reported. In a 1965 taxi strike, several uncooperative drivers found their cabs gutted by fire and numerous others were terrorized by roving goon squads.⁷ These episodes, unfortunately, are only recent examples of a pattern that continually repeats itself wherever unions are powerful.⁸

If, as often happens, the company capitulates to these tactics and grants the higher wage demanded, the union will appear to have won a smashing victory for the workingman. The nonunion man will be ridiculed more than

ever for receiving benefits at the hands of the union without paying his share of the cost of maintaining the union.

No Lack of Substitutes

However, one can think of numerous reasons why the free rider charge is still lacking in validity. For one thing, substitution is still likely to occur after market participants have had time to adjust to the new situation. New substitute resources will be developed by producers. Substitute products previously considered too expensive will be marketed by competitors. Importation of foreign goods will be increased, and at the same time, research and development may bring forth entirely new discoveries making the original product obsolete (just as government price supports have stimulated the development of synthetic fabrics injuring the cotton and wool industries which the price supports were intended to help). In all these ways and more, a free market can adjust to an increase in the cost of labor induced by a union.

A worker lacking seniority might well realize that he would be among the first to be laid off. In resisting the union, therefore, rather than taking a "free ride," he would be protecting his very livelihood. If he is obliged to sup-

⁵ New York *Daily News*, May 13, 1966, p. 3.

⁶ *Ibid.*

⁷ New York *Herald Tribune*, July 1, 1965, p. 1.

⁸ For a comprehensive analysis of union tactics see Professor Sylvester Petro's *Power Unlimited: The Corruption of Union Leadership* (New York: The Ronald Press).

port the union, he would be forced to subsidize the very organization that is doing him in.⁹ Among socialists generally there is a presumption that the interests of all workers are identical, but, as this instance shows, that presumption is wrong.

For another thing, the worker may justifiably abhor the violent and coercive tactics that the union threatens or actually invokes. The end, most people would agree, does not justify immoral means.

Finally, the nonunion man may realize that any wage increase he actually receives through the union will be paid for: (1) by a decrease in the real income of consumers, who, for the most part, are workers themselves, and (2) by a loss of earnings by those workers who are forced into less desirable jobs. His gain will be their loss. It is just possible that he may prefer not to join in the exploitation of other workers. That a union, rather than the greedy capitalist of socialist lore, is the real exploiter of the working man is, of course, a substantial irony in itself. The union may hurt the employer in the short run but not indefinitely. This is true because any plant may be closed

down when profit margins shrink below acceptable levels. Capital may then be re-invested where more profitable opportunities are thought to exist.

All of this points to the conclusion which numerous statistical studies have substantiated, that unions have not actually enhanced the workingman's overall share of national income.¹⁰ Rather, through their monopolizing tactics, they have increased the wages of a relatively small group of workers while causing many more workers to suffer a reduction in real wages. If anyone emerges from this situation as a "free rider," it is the union itself and those who support it rather than the worker who resists it.

We are now in a position to appreciate David McCord Wright's advice:

... that we deflate our absurdly over-expanded idea of the net beneficence of unions . . . and see them for what they are — often reactionary agencies of personal privilege.¹¹

¹⁰ In Philip D. Bradley's study noted in the above footnote, the conclusions of seventeen relevant studies are summarized as follows:

1. Unions have not raised the general level of real wages in the United States.
2. Unions have not increased labor's share in the national income.

¹¹ David McCord Wright, "The Canadian Compulsory Conciliation Laws and the General Problem of Union Power," *Notre Dame Lawyer*, XXV, No. 5 (1960), 651.

⁹ For an excellent analysis of this situation see Professor Philip D. Bradley's study, *Involuntary Participation in Unionism* (Washington: The American Enterprise Association, 1958).

The Supremacy of the Market

LUDWIG VON MISES

IN THE MARKET ECONOMY the consumers are supreme. Their buying and their abstention from buying ultimately determines what the entrepreneurs produce and in what quantity and quality. It determines directly the prices of the consumers' goods and indirectly the prices of all producers' goods, viz., labor and material factors of production. It determines the emergence of profits and losses and the formation of the rate of interest. It determines every individual's income. The focal point of the market economy is the market, i.e., the process of the formation of commodity prices, wage rates and interest rates and their derivatives, profits and losses. It

makes all men in their capacity as producers responsible to the consumers. This dependence is direct with entrepreneurs, capitalists, farmers and professional men, and indirect with people working for salaries and wages. The market adjusts the efforts of all those engaged in supplying the needs of the consumers to the wishes of those for whom they produce, the consumers. It subjects production to consumption.

The market is a democracy in which every penny gives a right to vote. It is true that the various individuals have not the same power to vote. The richer man casts more ballots than the poorer fellow. But to be rich and to earn a higher income is, in the market economy, already the outcome of a previous election. The only means to acquire wealth and to preserve

This article is from *Planned Chaos*, written as an Epilogue for a Spanish edition of *Socialism*, and first published as a book in English by the Foundation for Economic Education in 1947.

it, in a market economy not adulterated by government-made privileges and restrictions, is to serve the consumers in the best and cheapest way. Capitalists and landowners who fail in this regard suffer losses. If they do not change their procedure, they lose their wealth and become poor. It is the consumers who make poor people rich and rich people poor. It is the consumers who fix the wages of a movie star and an opera singer at a higher level than those of a welder or an accountant.

Every individual is free to disagree with the outcome of an election campaign or of the market process. But in a democracy he has no other means to alter things than persuasion. If a man were to say: "I do not like the mayor elected by majority vote; therefore I ask the government to replace him by the man I prefer," one would hardly call him a democrat. But if the same claims are raised with regard to the market, most people are too dull to discover the dictatorial aspirations involved.

Second-Guessing the Customer

The consumers have made their choices and determined the income of the shoe manufacturer, the movie star and the welder. Who is Professor X to arrogate to himself the privilege of overthrowing their decision? If he were not a

potential dictator, he would not ask the government to interfere. He would try to persuade his fellow-citizens to increase their demand for the products of the welders and to reduce their demand for shoes and pictures.

The consumers are not prepared to pay for cotton prices which would render the marginal farms, i.e., those producing under the least favorable conditions, profitable. This is very unfortunate indeed for the farmers concerned; they must discontinue growing cotton and try to integrate themselves in another way into the whole of production.

But what shall we think of the statesman who interferes by compulsion in order to raise the price of cotton above the level it would reach on the free market? What the interventionist aims at is the substitution of police pressure for the choice of the consumers. All this talk: the state should do this or that, ultimately means: the police should force consumers to behave otherwise than they would behave spontaneously. In such proposals as: let *us* raise farm prices, let *us* raise wage rates, let *us* lower profits, let *us* curtail the salaries of executives, the *us* ultimately refers to the police. Yet, the authors of these projects protest that they are planning for freedom and industrial democracy.

Privileged Labor Unions

In most non-socialist countries the labor unions are granted special rights. They are permitted to prevent non-members from working. They are allowed to call a strike and, when on strike, are virtually free to employ violence against all those who are prepared to continue working, viz., the strikebreakers. This system assigns an unlimited privilege to those engaged in vital branches of industry. Those workers whose strike cuts off the supply of water, light, food and other necessities are in a position to obtain all they want at the expense of the rest of the population. It is true that in the United States their unions have up to now exercised some moderation in taking advantage of this opportunity. Other American unions and the European unions have been less cautious. They are intent upon enforcing wage increases without bothering about the disaster inevitably resulting.

The interventionists are not shrewd enough to realize that labor union pressure and compulsion are absolutely incompatible with any system of social organization. The union problem has no reference whatsoever to the right of citizens to associate with one another in assemblies and associations; no democratic country de-

nies its citizens this right. Neither does anybody dispute a man's right to stop work and to go on strike. The only question is whether or not the unions should be granted the privilege of resorting with impunity to violence. This privilege is no less incompatible with socialism than with capitalism. No social cooperation

• A government abdicates if it tolerates any non-governmental agency's use of violence. If the government forsakes its monopoly of coercion and compulsion, anarchic conditions result. If it were true that a democratic system of government is unfit to protect unconditionally every individual's right to work in defiance of the orders of a union, democracy would be doomed.

under the division of labor is possible when some people or unions of people are granted the right to prevent by violence and the threat of violence other people from working. When enforced by violence, a strike in vital branches of production or a general strike are tantamount to a revolutionary destruction of society.

A government abdicates if it tolerates any non-governmental agency's use of violence. If the government forsakes its monopoly of coercion and compulsion, anarchic conditions result. If it were true that a democratic system of government is unfit to protect unconditionally every individual's right to work in defiance of the orders of a union, democracy would be doomed. Then dictatorship would be the only means to preserve the division of labor and to avoid anarchy. What generated dictatorship in Russia and Germany was precisely the fact that the mentality of these nations made suppression of union violence unfeasible under democratic conditions. The dictators abolished strikes and thus broke the spine of labor unionism. There is no question of strikes in the Soviet empire.

Arbitration No Solution

It is illusory to believe that arbitration of labor disputes could bring the unions into the framework of the market economy and make their functioning compatible with the preservation of domestic peace. Judicial settlement of controversies is feasible if there is a set of rules available, according to which individual cases can be judged. But if such a code is valid and its provisions are applied to the determination of the height of

wage rates, it is no longer the market which fixes them, but the code and those who legislate with regard to it. Then the government is supreme and no longer the consumers buying and selling on the market. If no such code exists, a standard according to which a controversy between employers and employees could be decided is lacking. It is vain to speak of "fair" wages in the absence of such a code. The notion of fairness is nonsensical if not related to an established standard. In practice, if the employers do not yield to the threats of the unions, arbitration is tantamount to the determination of wage rates by the government-appointed arbitrator. Peremptory authoritarian decision is substituted for the market price. The issue is always the same: the government or the market. There is no third solution. . . .

Men must choose between the market economy and socialism. The state can preserve the market economy in protecting life, health and private property against violent or fraudulent aggression; or it can itself control the conduct of all production activities. Some agency must determine what should be produced. If it is not the consumers by means of demand and supply on the market, it must be the government by compulsion. ♦

LEONARD E. READ



MEN OF PREY

THE NEWEST and the most radical idea in political history has as its premise, "that all men . . . are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness." And then the idea's implementation: "*that to secure these rights, Governments are instituted among men. . .*"

Government's purpose, in other words, is to curb the oppression, the plundering—exploitation in the sense of being preyed upon—of man by man. These actions which are abusive of man's rights are to be codified and then posted for all to see (the law); these are the forbidden acts which government must restrain, inhibit, penalize. Let government stand guard against oppression, that is, against violence and/or fraud, and otherwise leave all citizens free to act creatively as they please. This

is the American ideal expressed in the Declaration of Independence.

But this inspired ideal has come a cropper. Oppression occurs on an enormous scale, and grows apace. And, contrary to most expectations, the greatest oppressor of all turns out to be the very agency designed to curb oppression! Among the reasons for society's protector turning predator is a faulty understanding of government's essential nature.

Woodrow Wilson put his finger on the nature of government: "The essential characteristic of all government, whatever its form, is authority. . . . *Government, in its last analysis, is organized force.*"¹ (Italics mine.)

Observe the distinction between

¹ See *The State: Elements of Historical and Practical Politics* by Woodrow Wilson. D. C. Heath & Co., 1898, revised ed., p. 572.

you as an agent of government and you as a private citizen. As an agent of government you have the backing of a constabulary; you issue an edict and I obey or take the consequences. Remove the backing of the constabulary and you are restored to private citizenship; your edict has no more compulsive power than a chamber of commerce resolution. I do as I please. Clearly, the constabulary — organized police force — is government's distinctive feature.

True, individuals in government service are also private citizens; but, acting in the role of governors, they are set apart from the rest of us by having coercive force at their disposal. A governor is one of us — *plus armament*.

What is it that armament can and cannot do? It can restrain, inhibit, destroy, penalize. It cannot, by any stretch of the imagination, serve as a creative force. All creativity — no exception — is volitional in origin and is characterized by such spiritual phenomena as invention, discovery, intuition, insight.

What Should Be Restrained?

The above poses the next question: What, in good conscience, should be restrained, inhibited, destroyed, penalized? The answer, in a word, is the oppression of man by men of prey. The moral

codes, extending over the millennia, long before Christianity, caution us not to kill and not to steal — that is, not to use violence or fraud. The *Bhagavad-Gita* is quite explicit: "Sin . . . is the assertion of the independence of the ego which seeks its own private gain at the expense of others." Organized police force — government — can be properly invoked to curb oppression; that is at once its potentiality and its limitation, morally and ethically speaking.

Another reason for society's protector turning predator is a generally accepted definition of *prey* too broad for government to cope with. The only part of the definition fit for governmental attention is "... an animal [human] hunted or killed for food [or whatever] by another animal [human] . . . to plunder; pillage; rob."

Perhaps one can feather his own nest at the expense of others without the use of fraud or violence. I leave that point to the intellectual hair-splitters. Further, I'll grant that oppression, however achieved, is not to be sanctioned, and that defenses should be erected against it in all of its nefarious forms. But there are defenses and defenses. My point is that organized police force — government — can effectively serve as a defense only against that brand of oppression

which is founded on fraud and violence; that when government force is used for any other purpose, then government itself will become an oppressor. For instance, armament cannot put down stupidity or cupidity or avarice or laziness or conjured-up fears or covetousness or evil thoughts. Yet, more and more we turn to the police force—fruitlessly—as a substitute for our own alertness, moral rectitude, and wisdom; thus we make of government the grand oppressor—collectivized men of prey!

Robbery, pillage, embezzlement, plunder, marauding, misrepresentation, violence or the threat thereof—whether to keep another from accepting a job one has vacated or from a market one has pre-empted—are instances of *aggressive* force. This type of force, at least in our present state of understanding, can be met only by *defensive* force—the principled role of government.

But the only defense against ignorance is wisdom, not authority, not police force. Government is limited in what it can appropriately do by its nature. Physical force can only counter physical force. For example, a great deal of what we think of as “preying upon” is possible only because so many people are gullible. The shell-game artists, who formerly

infested the midways of county and state fairs, were attracted there by an abundance of yokels or suckers. The existence of a con man presupposes a sufficient number of people who can be conned, that is, people bent on something for nothing and so lacking in skepticism that they can be “taken to the cleaners.” Shell games need not be outlawed, but will disappear as soon as people awaken to the obvious chicanery involved.

Yes, the reason why so many people can be conned is that they are gullible. The only defense against gullibility is to come awake. And precisely the same defense—enlightenment—must apply to conjured-up fears of oppression, the kind that turns our hoped-for protector—government—into a predator. Of the numerous examples that might be used, let’s pick one at random: the minimum wage law.

Take the Minimum Wage Law

Time and again I hear it said, “Why, if we didn’t have a minimum wage law, workers would be exploited!” Such statements have their origin in fear and ignorance—fear of imagined evils, and ignorance of how the market, if free, tends to give every man his due. In the market, each person is rewarded by his peers according to their assessment of the

value of his services to them. This is truly the "just price" for his labor.

The very persons, in and out of government, who advocate a minimum wage law are themselves guilty of the "dreadful" practice they fear in others. Their fear is that some employers, if not legally restrained, will hire workers at as low a wage as possible. And they will, indeed! But observe that these fearful ones do precisely the same: *they themselves shop around for bargain prices.*

No housewife — not even a union official's wife — will pay 70 cents for the same quality eggs that she can buy next door for 60 cents. She will no more indulge herself in such economic nonsense than the maker of cans will pay an above-market price for sheet steel. What are eggs or sheet steel but the products of human energy! What matters whether one's wage is paid in dollars per hour or as a price for the thing one produces? No difference, whatsoever! When the housewife buys her groceries or shoes or hats or whatever at the bargain counter she is, in the final analysis, paying the lowest possible price for labor. When she fears that some employer will do what she does day in and day out, and when she advocates a minimum wage law to keep others from doing likewise, she displays not

only an ungrounded fear but an ignorance of economic abc's.

Whoever advocates the minimum wage law not only makes an oppressor of government but of himself as well. If this seems contrary to fact, it is only because we are accustomed to think of the oppressor — he who preys upon — as one who harms others strictly for his own advantage. Clearly, many of those who advocate minimum wage laws get nothing in return for their advocacy. But the fact that an advocate gets no loot for himself from the oppression he promotes in no way diminishes the oppressive force of the minimum wage law or absolves the advocate.

Who Gets Hurt?

Who is oppressed by a minimum wage law? The number, of course, is determined by how high the rate is.² But it is the multitude of marginal workers who prefer working for less than the minimum to not working at all, plus another multitude of marginal producers who prefer to hire be-

² Were the minimum wage law set at 10 cents an hour, probably there would be no robbery, no oppression, no disturbance of the market; if at \$1.25, as presently, a considerable unemployment; if at \$1.65, as proposed, a greater unemployment; and if, shall we say, at \$15, then, perhaps everyone would be unemployed, for the economy would disintegrate; it could not function.

low the minimum to not hiring at all. These people, all of them, are robbed of employment, and of all the gains to each that might have been.³

Conceding that no gain accrues to most advocates of a minimum wage law, how can its advocacy be classified as oppression? The answer would be easy were our thought of oppression or preying upon not limited to the forcible transfer from the robbed to the robber of material things such as cash, or an auto, or whatever. But, in this instance, the forcible transfer is, initially, not of goods but of a right. *The right to earn one's own living is a precious possession.* This is forcibly taken from people and turned over to government. What was once a person's economic right to make his own way now becomes the right of government to make his way for him. He is removed from the market, featured by self-responsibility and self-determination, and put at the disposal of the political apparatus. In a word, the minimum wage law is an oppressive abuse of human rights and it is brought about by organized police force.

Clearly, most advocates of the

minimum wage law do not gain any rights over the persons who fall below the minimum because the advocates are not a part of the political apparatus. But, they are accessories to the immoral act, and primarily because (1) they fear that others will not act more magnanimously than they do, and (2) because they have no understanding of how the free market constantly exerts its forces in the direction of economic upgrading for all.

From Protection to Predation

However, the minimum wage law, like strikes and all other interference with the market, finally gets into the cash drawer. Employers do not pay wages beyond a worker's worth to them. Thus, those workers who cannot produce and earn that minimum wage are disemployed — legally and compulsively thrown out of work. The right to look after themselves has been taken away and given to the government, so the government must provide their living. But, having nothing of its own, how can government do this? Simple: government forcibly takes cash from those remaining on the work force, and from accumulated capital, and uses the cash to finance such make-work projects as Federal urban renewal, or to provide unemployment insurance, or any

³ I use the term, unemployment, in its broadest sense: the employer employs employees, as all agree, but the employee should remember that he employs an employer.

one of countless devices.⁴ It is in this manner that government, designed as our agency of defense, becomes the great oppressor. And partly because so many persons include in their definition of "preying upon" the common and ethical practice of shopping around for bargain prices. It is self-evident that there is no fraud or violence in a willing exchange of your cash for my labor, regardless of how little your cash or how relatively inefficient my labor.

The minimum wage law has been used only to illustrate how government is turned from protector to predator, how the agency for minimizing oppression has itself become the great oppressor. And the big question is: What defense do we have against our erstwhile defender, now one of the greatest and most powerful oppressors ever known? Certainly, our defense cannot be organized force, for this oppressor has a monopoly of that. Whether we like it or can see any hope in it or not, only one avenue remains open to us: enlightenment, understanding, overcoming our naiveté, coming awake. Is not this oppression

pretty much of our own making? And isn't it possible that our applied intelligence, eventually, might correct these mistakes we have made?

Steps Toward Correction

An awakening to the nature of organized police force is step number one. We shall never know where force should not be employed unless we are sharply aware of its limitations. And the only problem is to figure out what can and cannot be accomplished with a billy club. Were this widely understood, our oppressor would wilt away in the face of the resulting skepticism. Yet, given our present state of understanding, even this would leave most people with the feeling of a hollow victory. With the All-Promising dethroned, to what do we look now? The Myth has vanished; who or what is to perform our miracles? An empty promise is better than no promise; all appears to be void!

It takes a second step to fill that void: *an awareness of the potentialities of individual liberty*—personal insight and understanding of the wonder-working miracle of cooperation via the free market process. This is much more difficult than understanding what a billy club can and cannot do. The fact that nearly everyone pro-

⁴ See *Encyclopedia of U. S. Government Benefits*, 1,000 pages and listing over 10,000 so-called benefits. Obtainable from Doubleday Book Shop, 724 Fifth Ave. at 57th St., Customer Service, New York, N. Y. Reg. Ed., \$7.75; De Luxe Executive Ed., \$9.95.

claims for liberty — authoritarians and interventionists by the millions — suggests that those who have not experienced this insight are oblivious of their nonexperience. And what can one who is aware of liberty's potentialities do about inducing a similar insight in another who doesn't know he hasn't experienced it?

Liberation

I asked of an inquiring spirit, "How long have you been interested in this nonoppressive philosophy?" She replied, "I have now been *liberated* for six months!" What brought on this "liberation," this insight? It was quite by chance, a skillful explanation by a friend concerning self-responsibility. Immediately, there was a freeing of the spirit of inquiry, an intelligent curiosity, a state of "wanting-to-know-it-ness." Parenthetically, no person is as much as educable on the free market, private property, limited government philosophy until his "liberation." And we know, from years of observation, that there is no master key to inducing such insight in another; the aforementioned self-responsibility explanation might not trigger more than one in a thousand. Thus, it is plain that what you or I can do to afford others an enhanced grasp of lib-

erty and its enormous, unbelievable potentialities is limited to how extensive a repertoire of explanations we can encase in our own intellectual portfolio. If one explanation has no triggering effect on an unliberated person, it is possible that one of several hundred other explanations will.

Yet, this limitation on what we can accomplish with others may be a blessing in disguise. It has a profound message for those of us who have a glimmering of light:

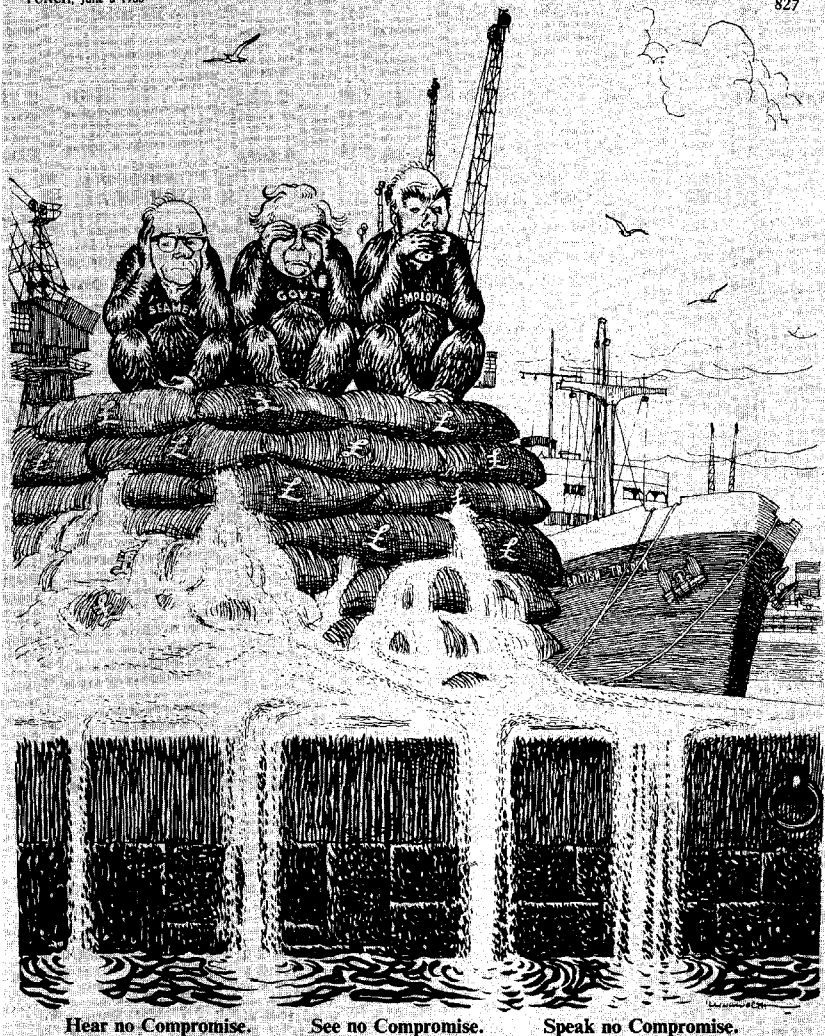
Wake up! Come even more alive to the meaning of individual liberty; it is one of the great challenges this moment in human evolution presents. Meet the challenge by knowing more of liberty's promise, or face the consequences. Bear in mind that scarcely anyone — even you — is very far out of the slumber stage. And, for this reason, do not be taken in by the cliché, "We are only talking to ourselves." Search for the "liberated"; they are to be found among "ourselves." If you can discover who they are, you can learn from them and, hopefully, they may learn from you. There is no other way to put down men of prey.

That's how the message comes through to me; it doesn't flatter my ego but it makes sense. ♦

PUNCH Decries "No Compromise"

PUNCH, June 8 1966

827



Hear no Compromise.

See no Compromise.

Speak no Compromise.

Reproduced by permission of *Punch*, London.

THE FREEMAN Asks,

“WHY Compromise?”

THE SEAMEN'S STRIKE in England was disastrously prolonged, suggests *Punch*, because of an unbending, uncompromising attitude by all parties to the controversy.

The American Machinists' Strike which grounded five airlines was disastrously prolonged, in many minds, for the same reason.

What goes on here? It seems that justice can be served only as everybody bends to the whims and desires of those who hold power. To what a low estate has justice descended: *what's right is the outcome of bending to ambitions for power!*

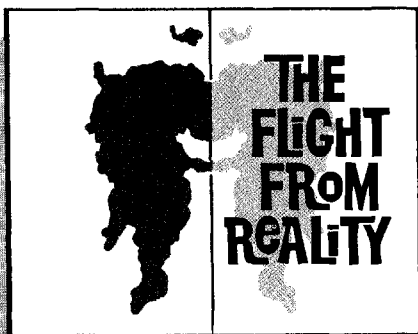
Who likes to compromise? Employees are as averse to backing down as are employers. Yet, there is no other recourse than compromise in managed or socialistic economies — as in England and the U. S. A. When coercive powers rule the economy, adjustments of the numerous powers must be ceded by the warring factions. With failure to compromise, the economy comes to a halt. Further, compromised or dictated adjustments are

no more than temporary expedients, for no one has the knowledge or the ability to accurately predict the future.

No one likes to compromise, nor should anyone be expected to do so. Be done with the planned economy and its inevitable compromises and failures. Give no more coercive power to a labor union than to a chamber of commerce. Free the market! Let government protect all willing exchange and inhibit all unwilling exchange — and not indulge in the forbidden exchange itself!

In the free market, humiliating compromise gives way to a gratifying freedom of choice by everyone, be he employee or employer, consumer or producer. If one supplier's price for a can of beans or his system of management doesn't suit, you have the freedom to shop around. And, if he doesn't like your bid for beans or your services on your terms, he has the freedom to look around.

Why compromise when we could be free to choose? ♦



25. *Political Experimentation:* THE FOUR-YEAR PLANS

CLARENCE B. CARSON

I stand for the square deal. But when I say that I am for the square deal, I mean not merely that I stand for fair play under the present rules of the game, but that I stand for having those rules changed so as to work for a more substantial equality. . . .

THEODORE ROOSEVELT, 1910

And the day is at hand when it shall be realized on this consecrated soil, — a New Freedom, — a Liberty widened and deepened to match the broadened life of man in modern America. . . .

WOODROW WILSON, 1912

I pledge you, I pledge myself, to a new deal for the American people.

FRANKLIN D. ROOSEVELT, 1932

I hope for cooperation from farmers, from labor, and from business. Every segment of our population and every individual has a right to expect from our Government a fair deal.

HARRY TRUMAN, 1949

. . . So that, although the United States is an old country — at least its Government is old as governments now go today — nevertheless I thought we were moving into a new period, and the new frontier phrase expressed that hope.

JOHN F. KENNEDY, 1961

Building the Great Society will require a major effort on the part of every Federal agency in two directions: — First, formulating imaginative new ideas and programs; and — Second, carrying out hard-hitting, tough-minded reforms in existing programs.

LYNDON B. JOHNSON, 1964

THE FUNDAMENTAL SHIFTS, changes, and direction of American government in the twentieth century have not been generally clearly outlined in historical accounts. The shift of the office of President from primary concern with execution of the laws to legislative innovation, the yielding up of legislative initiative by Congress, the subtle intellectual impetus to shift the American respect for the Constitution to adulation of the decisions (or at least acceptance of them) of the Supreme Court, the change of government from protector of rights to granter of privileges, have not been much emphasized by those charged with keeping the record straight. Superficial continuities have been allowed to obscure fundamental changes.

Of course, historians have noted the appearance of the Square Deal, New Nationalism, New Freedom, New Deal(s), Fair Deal, New Frontier, and Great Society. These names have often been used as convenient pegs from which to hang the assorted information and developments associated with presidential administrations. But the phenomenon itself — and what it may signify that a line of Presidents should get up a program, name it, attempt to embody it in legislation, and have it associated with them — has not

been much attended to. There is in these things a new form of presidential activity, something that had not occurred in the nineteenth century. As a form, its appearance symbolizes the taking over of leadership in the Federal government by Presidents; but much more than this is involved.

No one, to my knowledge, has pointed to the analogy between the Square Deal, New Freedom, New Deal(s), Fair Deal, New Frontier, and Great Society on the one hand and the five-year plans of the Soviet Union on the other. Yet, there is an analogy that warrants examination, and the reference to the American programs as four- (or eight-) year plans is used to call attention to it. Such an examination will be useful in revealing the character of much that has been happening in America.

Different in All Details

There are many differences of detail between the Soviet five-year plans and the American four- (or eight-) year plans. The five-year plans are not coterminous with some electoral period. They are not identified with the whole administration of some Soviet premier. The leaders of the Soviet Union are openly committed to the achievement of socialism, those of the United States are not. Moreover, the Communists

avow the revolutionary character of their way to socialism, and Americans have adopted no such way. The five-year plans are broad and comprehensive blueprints for social and economic reconstruction. Joseph Stalin said of the first five-year plan, begun in 1928:

The fundamental task of the Five-Year Plan was, in converting the U.S.S.R. into an industrial country, fully to eliminate the capitalist elements, to widen the front of Socialist forms of economy, and to create the economic base for the abolition of classes in the U.S.S.R., for the construction of Socialist society....

The fundamental task of the Five-Year Plan was to transfer small and scattered agriculture to the lines of large-scale collective farming, so as to ensure the economic base for Socialism in the rural districts and thus to eliminate the possibility of the restoration of capitalism in the U.S.S.R.¹

By comparison with such boldness, the American four-year plans appear timid and pale. Moreover, the American four-year plans began before the Russian ones, though the point is of no importance as to any fundamental similarities. There are many other differences, but let them all be

summed up by this observation: In detail, the Soviet plans differ in every respect from American ones.

The Same in Essence

But analogy deals with essences, not with differences of detail. There is an essential difference between the Soviet way to socialism and the American one. It has been alluded to above. The Russian Communists have pursued a direct revolutionary approach to socialism. American meliorists have pursued an indirect evolutionary approach to socialism. Communists have proceeded by destroying the old order as completely as they could and erecting a new one in its stead. Meliorists have attempted to operate within the framework of the old order, to keep as much of its superficialities and forms as possible, and to turn the received instruments of power to the task of gradual social and economic reconstruction. The five-year plans are Soviet programs in the revolutionary road to socialism; the four-year plans are American programs in the gradualist route to socialism. They are both instruments of national planning by central authority; they employ a quite different assortment of paraphernalia; they differ as to methods; they have the same goal in view.

The four-year plans are really

¹ Richard Powers, ed., *Readings in European Civilization since 1500* (Boston: Houghton Mifflin, 1961), pp. 632-33.

devices for using the Presidency for social reconstruction. The kind of planning which will move a country toward the goal of socialism must be centrally directed. Policy making, legislating, and execution must be coordinated. Congress can pass laws, but it cannot execute them. Moreover, left to their own devices the members of Congress are not apt to thrust the country in any consistent direction. Power is dispersed among the many members. They represent a great diversity of interests throughout the country. Legislation that originates in Congress is usually subjected to numerous compromises before it is enacted, compromises that turn it to ends not originally conceived or that vitiate its impact. The very division of Congress into two houses makes it virtually impossible for any leadership that arises in one of the houses to have any influence or control over the other. The Presidency is the only office established by the Constitution that could provide such central direction. The four-year plans are means for giving Presidents apparent electoral authorization for taking over in legislative innovation.

Presidents did not concoct such programs in the nineteenth century. They usually were satisfied to restrict their endeavors to the

more modest activities of administering the laws. Presidents did sometimes emerge as strong leaders, but this leadership was either exercised in war and foreign affairs, where the President has great constitutional authority, or in the form of a restraining hand upon Congress. Excepting for Lincoln, the man who stood out as the most vigorous leader in the nineteenth century was Andrew Jackson. He summed up his policy in this way: "The Federal Constitution must be obeyed, state rights preserved, our national debt must be paid, direct taxes and loans avoided, and the Federal Union preserved. These are the objects I have in view, and regardless of all consequences, will carry them into effect."² Presidents did, of course, sometimes press for some innovation and some particular line of legislation in the nineteenth century, but none of them advanced any four-year plans.

Theodore Roosevelt

The twentieth century was hardly under way, however, before a man came to power who would give shape and form to the new method. The four-year plan does

² Quoted in Samuel E. Morison and Henry S. Commager, *The Growth of the American Republic*, I (New York: Oxford University Press, 1942, 3rd ed.), 472.

not appear to have come by way of any advance calculation. Theodore Roosevelt forged its outlines during nearly eight years in the Presidency. But Roosevelt did not come to the Presidency, initially, on his own. Lore has it that "Boss" Tom Platt got him nominated to the Vice-Presidency in 1900 to get him out of New York.³ President McKinley was assassinated in 1901, however, and Roosevelt succeeded to the Presidency. The phrase, "square deal," was used by Roosevelt in the campaign of 1904 to describe his actions in the coal strike of 1902. He wanted both labor and capital to get a square deal, he said.⁴ The phrase caught on and has since been used by historians as a vague label for Roosevelt's administration.

The phrase, "square deal," did not fall into a historical vacuum, nor was it uttered by a nonentity. The stage had been set by the development of ideas for the phrase to connote and evoke a particular vision. If the view had been accepted that Americans were generally getting a square deal, the phrase could hardly have meant anything more than that in a particular instance the President had sought to see that justice was

done. Once it was done in this case, there would have been no occasion for the phrase to have any continued vitality. But it was uttered at a time when a great clamor was arising against conditions as they were, and the cry was for changes that would bring about social justice.

Time for a "Square Deal"

The Progressive Movement was underway. Back of it lay more than a quarter-century of writing and agitation by social theorists, reformers, utopians, and social reconstructers. These ideas and visions were moving from the periphery of American society, where they had been uttered by men and women outside the pale of respectability, toward the center where they would be taken up by more respectable and restrained spokesmen.

Muckrakers, novelists, social analysts, professed socialists, and others were presenting a most unpleasant picture of America. Things were not as they should be, they said. Great concentrations of wealth threatened the Republic with rule by a plutocracy. The influence of John D. Rockefeller, Marcus A. Hanna, and J. P. Morgan, among others, resulted in the use of political power to strange ends. At any rate, economic "power" was outmatching

³ George E. Mowry, *The Era of Theodore Roosevelt — 1900-1912* (New York: Harper, 1958), pp. 108-09.

⁴ *Ibid.*, p. 139.

and overawing political power, so the story went. A beef trust gouged consumers with high prices and fed them unclean meat. City governments were corrupt, the cities themselves gorged with immigrants from a swelling tide living in slums, and alcohol addiction and prostitution growing apace.

Behind all this criticism of externals lay a call for fundamental social reconstruction. Social gospels were preaching the coming of the Kingdom, progressive educationists working for the transformation of the school, and assorted intellectuals delineating the transmuted shape of things to come. Talk of a square deal in this intellectual setting evoked visions of a crusade to remake America; the seeds of reform contained in a simple phrase fell upon fertile ground.

A Man of Action

The phrase picked up meaning and gained currency, too, from the vitality and zeal of the man who uttered it. Theodore Roosevelt was a man of action. Before coming to the Presidency, he had engaged in a great variety of activities. By turn, he was state legislator, member of the Civil Service Commission, head of a police board, Assistant Secretary of the Navy, governor of New

York, rancher, historian, biographer, Rough Rider, and huntsman. As President, he was soon in the thick of all manner of affairs, domestic and foreign: arbitrating a labor dispute, trust-busting, settling international disputes, intervening in Caribbean countries, and conserving natural resources. Roosevelt's conception of the role of the Presidency was a lofty and extensive one. "He believed that, acting in the public interest, he could do whatever was not expressly prohibited by the Constitution or the laws."⁵ His views of the duties of the office were comprehensive:

The President did not confine himself to political matters. He saw nothing incongruous in using his great prestige to urge the reform of English spelling, or to pillory the "nature fakers" who wrote stories humanizing animals. He delivered exhortations on the necessity for women in the upper classes to bear more children and for everyone to live strenuously according to his creed of "Muscular Christianity."⁶

Along with being a man of action he was also a superb publicist. He had that quality known as charisma, an attractiveness and charm which helped him to sur-

⁵ Dumas Malone and Basil Rauch, *Empire for Liberty*, II (New York: Appleton-Century-Crofts, 1960), 217.

⁶ *Ibid.*, p. 218.

round his actions with an aura of rightness—even righteousness, for he was a moralist. The place of his administration in history needed a unique phrase to identify it. That it was the Square Deal may have been an accident, but the times and the man united in such a way as to make it virtually necessary.

... and a Reformer

Theodore Roosevelt was a reformer, a meliorist. He was the first man to occupy the Presidency who could be so identified. Some historians question how deeply he was committed to reform, or, at any rate, to social transformation. Perhaps he was only an opportunist, they say, and in this they are echoing the sentiments of some of his contemporaries. He has even been called a conservative.⁷ This latter claim stems, in part, from the fact that he steered a course between calling for reform and making complimentary remarks about businessmen.⁸ Whatever the motives may have

been behind his straddling of the fence on occasion, they served the practical political object of making reform respectable by dissociating it from out-and-out radicalism.

At any rate, Theodore Roosevelt was a reformer. Of that, there should be no doubt. He had been a reformer, of sorts, as governor of New York. He had no sooner succeeded to the Presidency before this vein began to be exposed at that level. Roosevelt pressed to extend the powers of the Interstate Commerce Commission, had his attorney general begin a rigorous enforcement of the Sherman Antitrust Act, and in general began to adopt a reformist tone. After his election to the Presidency in 1904, when he could hold the office in his own right, he became more strident in his reformism. As one historian says:

... His message to Congress in December, 1904, was significantly without most of the equivocations of the past. Over half the document was given over to proposals for new economic and social legislation.⁹

He called for the Federal government to pass an employer's liability act for its employees and those of contractors employed by the government. There were requests for such things as requir-

⁷ See, for example, Daniel Aaron, *Men of Good Hope* (New York: Oxford University Press, 1951), pp. 246-52.

⁸ There is also a tendency among "liberal" historians to classify meliorist politicians generally as conservatives, presumably because they do not press for violent revolution. Also, these historians have created, or perpetuated, a myth that if reforms had not been made, a revolution would have occurred.

⁹ Mowry, *op. cit.*, p. 197.

ing the use of safety devices on railroads, regulation of hours of labor of railroad workers, giving the Interstate Commerce Commission power to establish rail rates, establishing a Bureau of Corporations to license interstate business, the instituting of numerous reforms in the District of Columbia, and so forth. Some of these were made into law, and other reforms were instigated during his second administration.

By 1908, most of the ingredients of the four-year plan had been exemplified by Roosevelt. It remained now only for them to be used by others and made into a regular way of doing things. In 1912, the four-year plan as a campaign device was taken up by two candidates: Theodore Roosevelt and Woodrow Wilson. They called their plans the New Nationalism and the New Freedom. Significantly, these were alternative plans to the revolutionary proposals of the Socialist party, led by Eugene Debs. The Socialists had been gaining a following rapidly in recent elections. The four-year plan began its career of draining away the appeal from those who called themselves socialists.

Main Features of the Plans

Before recounting the story of the four-year plans, however, it will be useful to describe their

main features. First of all, it is worth noting that they were taken up by the Democrats and have, since the time of Theodore Roosevelt, been exclusively employed by that party. There was a considerable contingent of reformers in the Republican party between the Civil War and World War I. In the early twentieth century, there was a lively meliorist wing of the party, called the Progressives. But Theodore Roosevelt drew many of these away in 1912 when he ran on the Bull Moose ticket. Since that time, meliorists have never dominated the Republican party, if they ever did. By contrast, the Democratic party had stuck fairly close to its Jefferson-Jackson heritage in the nineteenth century. It began its turn toward meliorism with the campaign of William Jennings Bryan in 1896. Woodrow Wilson and Franklin D. Roosevelt fixed it on this path in the twentieth century. Much of the impulse for the gradualist movement toward socialism has come from the Democratic party, and the particular infusions of energy toward this end have come from a succession of four-year plans.

Several features of the four-year plan can be described by showing its relation to the political party. A political party may be the lengthened shadow of a man, of Thomas Jefferson or of Abra-

ham Lincoln, for instance. At its inception, a political party may even be the political instrument of an individual, as the Jeffersonian Republican party was for its founder. But political parties quickly have become institutions themselves in our history. They are organizations, having continuing existence (beyond the life or time of those who founded them), are devices for winning elections at various levels, have a widespread membership which participates in the choice of candidates, and are labels with which a succession of politicians can identify and be identified. In an important sense, political parties are impersonal and nonideological. A great variety of individuals find political shelter within their folds. Issues come and go, but parties continue as they shift from this position to that.

Bid for Presidential Power

By contrast, a four-year plan is not the *lengthened* shadow of a man; it is the *shadow* cast by a particular man who has come to the Presidency. It is the personal instrument of a President. Political parties may be said to be democratic, or at least federal, in character. Their widespread membership plays a part in determining their stand on issues. Platforms are drawn by committees. A Sen-

ator or Representative may, so far as his district goes, have as much to say about what the party stands for as does the President.

With four-year plans, it is not so. They are centristic and autocratic. They are devices which can be and have been used to bridge the gap, politically, of the separation of powers. Through a four-year plan, a President can identify the whole governmental program with himself. He can make the other branches of the government more or less adjuncts to his administration. To the extent that a President can bring off the *coup* that is implicit in the four-year plan, he can centralize power and use the whole government as if it were an extension of himself. That concentrated power which is necessary to governmentally directed social transformation is made available by the four-year plan.

Four-year plans appear, also, to have subsumed much of the role which third parties played in the meliorist movement at its outset. No new major political party has emerged in America since 1860. It would have been logical for a socialist party, by whatever name, to have come to majority status in the United States in the twentieth century, in view of the course of developments, as the Labour party did in England. The original impetus to socialism came

from third parties in America in the late nineteenth and early twentieth centuries, from the Greenback-Labor party, Populist party, and Bull Moose (or Progressive) party. But since the 1920's, third parties have either been ephemeral or have had little appeal.

Two things happened. Such socialism as appealed to any considerable portion of the electorate was advanced by one or both of the major parties. And the impulse for a new surge toward socialization was embodied in the four-year plans. Third parties with a penchant for socialism had their issues taken away from them as soon as the issues attained popularity and were much more attractively packaged by the regular organizations and presidential candidates for them.

Appeals to Americanism

The names given to the four-year plans are interesting and revealing in themselves. Rhetorically, they evoke American values and even American experience. Three of them — Square Deal, New Deal, and Fair Deal — call up an image of sporting behavior and appear to derive from card-playing terminology. Perhaps the references to games of chance are unintended — though the pragmatic stance is that all human action is a kind of chance taking, and

the proponents of these programs are often called pragmatists. But the appeals to fair play are surely intentional. Americans are much addicted to sports and, in that connection, are committed to the virtue of fair play. (It was the Beards, Charles and Mary, I think, who observed that the one thing Americans would not tolerate in the twentieth century was crooked officials in their athletic contests.)

The New Freedom called up one of the basic values for Americans, for they have understood that one of the distinctive features of the American system has been the extent of freedom it provided. The New Frontier evoked memories of an earlier American experience. The only phrase that appears not to have any American context is the Great Society. Perhaps the utopian vision is now sufficiently a part of the mental baggage of Americans that it is politically feasible to appeal to it directly.

At any rate, those terms which do rely on American values for their appeal place them in a new framework. The call was for a *new freedom*, a *new deal*, and a *new frontier*, for a *square deal* and a *fair deal*. The phrases take established values and use them as the basis for the building of a new order. The battle cries of socialist rhetoric — class struggle, vanguard of the elite, the rise of

the masses, the dictatorship of the proletariat — are foreign and repulsive to the American ear. By contrast, the rhetoric of the four-year plans is familiar, nonradical in sound, and brings to mind pleasing associations. The territory into which Fabian methods take us is strange, but the markers along the way are familiar.

Programs for Translating Ideas into Political Action

Finally, the four-year plans are means for translating meliorist ideology into political action. They are devices for linking ideas (or visions) to power. The connection is made by a single man, the President of the United States. His personal historian has said of John F. Kennedy that "he was intensely committed to a vision of America and the world, and committed with equal intensity to the use of reason and power to achieve that vision." He desired "to bring the world of power and the world of ideas together in alliance...."¹⁰ If so, his outlook and aims were perfectly suited to the role of being President by the requirements of the four-year plan.

Another way of saying the above is that the four-year plans have been the creations of intel-

lectuals under the sway of ideologies. This accounts for the increasing role played by intellectuals in twentieth century governmental undertakings. A President may be both an intellectual and a man of action. Theodore Roosevelt was, and just as he may be credited with founding the four-year plan so may he be described as the prototype for the kind of man it ideally requires. Theodore Roosevelt was probably more the man of action than the intellectual, though he had ideas enough, while Woodrow Wilson was more the intellectual than the man of action. Both of them, however, combined both traits in sufficient degree to translate ideology into action with only a minimum of help from specialists so far as the formulation of programs was concerned. Their successors in the line of four-year planning were not so adequately equipped. The tendency from Franklin D. Roosevelt on has been for Presidents to gather about them a corps of intellectuals — a brain trust — to provide the ideas and render them into programs.¹¹

¹¹ The prototype for the "brain trust" may have been provided by Andrew Jackson who had an assortment of budding intellectuals in his "Kitchen Cabinet." There was an important difference, however, for his advisers were liberals of the nineteenth century variety who did not go in much for government intervention.

¹⁰ Arthur M. Schlesinger, Jr., *A Thousand Days* (Boston: Houghton Mifflin, 1965), pp. 108-09.

Men Behind Presidents

There were premonitions of things to come, however, in the planning of the first Roosevelt and Wilson. One writer holds that Brooks Adams was the formulator of the basic ideas which Roosevelt advanced. "Had Roosevelt followed his counsels," he says, "(as he sometimes did, for Roosevelt instinctively agreed with Adams on some issues even though he prudently rejected Adam's [sic] suggestions when the times called for compromise), he might have become an even greater and perhaps more sinister figure."¹² There has been considerable debate among historians as to the extent of the influence of Herbert Croly's *Promise of American Life* upon Roosevelt's New Nationalism idea.¹³ Be that as it may, Roosevelt was undoubtedly influenced by the intellectual currents of his day. His programs were his, however, not those of some coterie of intellectuals.

Wilson was, if anything, more the intellectual than Roosevelt. Despite, or perhaps because of, this, he appears to have relied more extensively upon intellec-

tuals than did Roosevelt. The man closest to Wilson was Colonel Edward M. House. He was most influential upon Wilson. One writer says, "Nearly all accounts agree that Colonel House dominated the decisions on appointments. Wilson frankly didn't want to be bothered."¹⁴ Colonel House's credentials as an intellectual may not be particularly impressive, but they are sufficient to show that he was under the sway of a vision that was the fruit of ideas.

Before he rose to the eminence of presidential adviser, he wrote and caused to be published a utopian novel, *Philip Drue, Administrator*. It is about a man who establishes a dictatorship in America and brings about sweeping reforms. Among these reforms were a graduated income tax, compulsory incorporation act, flexible currency system, an old age pension and labor insurance, a cooperative marketing system, Federal employment bureau, and so forth.

As one account of this utopian novel observes: "This fantasy could be laughed off as the curious dream of Colonel House were it not that so many of these reforms strikingly resemble what the Wilson, and later the New Deal, administrations either accomplished

¹² Aaron, *op. cit.*, p. 252.

¹³ For contrasting assessments, see Eric F. Goldman, *Rendezvous with Destiny* (New York: Vintage Books, 1956), p. 159, and Charles Forcey, *The Crossroads of Liberalism* (New York: Oxford University Press, 1961), pp. 127-30.

¹⁴ Horace Coon, *Triumph of the Eggheads* (New York: Random House, 1955), p. 87.

or proposed.”¹⁵ The ideas are not original, but this advocate of them had the ear of a President. Louis D. Brandeis was another intellectual who had a great deal of influence on Wilson.¹⁶ There were others, such as George L. Record, George Creel, and Bernard Baruch.

The Brain Trust of F.D.R.

But the practice of assembling a host of intellectuals around the President to provide the ideas and programs to translate four-year plans into action was really established by Franklin D. Roosevelt. Harry Hopkins played Colonel House to Roosevelt, and Felix Frankfurter was his Brandeis. But below these in the hierarchy of influence came a horde of others: Averell Harriman, Francis Biddle, George Peek, Henry Wallace, Samuel Rosenman, Harry Dexter White, Robert E. Sherwood, and so on. Of those who came, a historian has said that “the common bond which held them together . . . was that they were at home in the world of ideas. They were accustomed to analysis and dialectic. . . . They were . . . generalists, capable of bringing logic to bear on any so-

cial problem.”¹⁷ In short, they were intellectuals with visions of a transformed America and ideas about how to bring it about.

Each administration since has had its complement of intellectuals serving as ghost writers, special assistants, economic advisers, board members, and members of the middling rank of division heads within established departments. The assembling of intellectuals in Washington reached a new peak during the Kennedy Administration, when the President bade fair to take a goodly portion of the prestigious men from some major universities. Among the more famous gathered were Theodore Sorensen, McGeorge Bundy, Arthur Schlesinger, Jr., Walt W. Rostow, David Bell, and Walter Heller.¹⁸ Truman, Eisenhower, and Johnson were less at home with university men, but they, too, had or have their intellectuals.

These intellectuals are the American equivalent, in socialist terminology, of the “vanguard of the elite.” They have moved into the centers of power by providing the ideas and programs of meliorism. They bring ideology into the political market place, help to make

¹⁵ *Ibid.*, p. 86.

¹⁶ See *ibid.*, pp. 14-15, 90; Charles A. Madison, *Leaders and Liberals in the Twentieth Century* (New York: Frederick Ungar, 1961), pp. 200-01.

¹⁷ Arthur M. Schlesinger, Jr., *The Coming of the New Deal* (Boston: Houghton Mifflin, 1958), p. 18.

¹⁸ Lester Tanzer, ed., *The Kennedy Circle* (Washington: Luce, 1961), *passim*.

it attractive, and thrust political action in the direction implicit in their assumptions. The fateful connection between utopian visions, the new reality, the new creativity, and meliorist economics on the one hand and political action on the other is made by the intellectuals in the four-year plans.

This connection needs to be

demonstrated, however, by an examination of the four-year plans. Such an examination will show both the connection between ideology and action and that there is a direction to these plans, that each one of them moves the United States farther and farther along the road to socialism. An account of this development will follow

next.



*The next, and concluding, article of this series
will pertain to "The Pen and the Sword."*

IDEAS ON LIBERTY

Majority Rule

THERE IS NO MAXIM in my opinion which is more liable to be misapplied, and which therefore more needs elucidation than the current one that the interest of the majority is the political standard of right and wrong. Taking the word "interest" as synonymous with "ultimate happiness," in which sense it is qualified with every necessary moral ingredient, the proposition is no doubt true. But taking it in the popular sense, as referring to immediate augmentation of property and wealth nothing can be more false. In the latter sense it would be the interest of the majority in every community to despoil & enslave the minority of individuals; and in a federal community to make a similar sacrifice of the minority of the component States. In fact it is only re-establishing under another name and a more specious form, force as the measure of right. . . .

JAMES MADISON, from a letter of October 5, 1786, to James Monroe.

Bettmann Archive



Canute

AND
THE counting
OF noses

WILLARD M. FOX

AS FREQUENTLY TOLD, the story of how King Canute tried to sweep back the rising tide and got soaked for his pains makes him appear at best not quite bright and at worst an utter fool. The man who gave Denmark its first national coinage and first written legal code and England a code based on established Saxon law was a strong and able ruler of two realms; and he was endowed with a keen and clear understanding of the limitations of human power, even that of absolute monarchs. His attempted sweeping back of the sea was his dramatic demonstration that government cannot do everything its subjects may want done.

In the advanced stages of the transformation of the United States from a representative federal republic of limited power to a centralized democracy in which individuals and the several states count for little, Canute's wisdom is largely forgotten. Citizens and officeholders alike behave as though the counting of noses were the highest wisdom, and the Will of the Majority in no way distinguishable from the Voice of God. The proposition is absurd. There is no possible way for those elected to know the real views and motives of the majority that elected them.

Mr. Fox is a market research executive now residing in Costa Rica.

There is the mail from constituents, of course; but only those persons who are more or less articulate and who hold pronounced views on a subject under active political consideration will take the time and trouble to write elected or appointed officials. There is no persuasive reason for believing that the division of letters from these people accurately reflects the division of opinion among the silent population.

Polls Untrustworthy

Public opinion polls also are untrustworthy guides, not so much because of the design and drawing of samples, but primarily because of weaknesses in the questionnaire and secondarily in the behavior of interviewers and respondents.

When respondents are asked about a question of policy, the survey method becomes useless. Put yourself in the position of a respondent who knows nothing of economics, confronted by an interviewer who puts to him such a hypothetical question as this:

The United States balance of payments is "unfavorable" and there is a net export of gold. Among the remedies that have been or may be suggested are the following: (1) raise the rediscount rate; (2) impose an "interest equalization" tax on purchasers of foreign securities; (3) reduce the amount of duty-free mer-

chandise returning tourists may bring into the United States (or prohibit duty-free imports entirely); (4) prohibit, restrict, or discourage direct foreign investment by United States based firms and their foreign subsidiaries; (5) impose import restrictions (quotas, tariffs, etc.) on foreign goods that can be produced within the United States and its possessions; (6) other actions you consider desirable?"

Just how would you answer? Just how much confidence would you place in the answers of 3,000 or any other reasonable number of respondents who happened to fall into either a probability or accidental survey sample?

While I have my own pet answers, the fact is that what I happen to think is not based on expert knowledge of the problem, and so my views are worthless. Multiplying my incompetent answer by 3,000 or any other number of like answers from respondents who as a group are as ignorant as I am may provide an impressive statistical report; but it is certainly not going to provide a sound basis for a policy.

What to Do, and How

Asking a sample of the electorate what it wants done is useless. The fact is that a count of noses cannot be used as a means of choosing appropriate courses of public ac-

tion. I suspect that such a count of noses would establish that people favor wealth, comfort, health, security, and a color television set in every room and they oppose death, taxes, poverty, ill health, and the neighbor's radio turned on to full volume.

Involuntary poverty is never sought consciously, since it involves a contradiction in terms. Those who seek poverty voluntarily need not concern us. If they profess a faith that does not include vows of poverty, they can always choose an ill-paid career or take up beach-combing in the tropics. Voluntary poverty seekers get their compensating psychic income from their poverty and that makes up for other choices foregone.

Most people want to avoid poverty for themselves and do not want other people to suffer from hunger, disease, and other effects of poverty. So, they would agree that poverty should be abolished. The question that divides them is how to do it. This is a question not of ends but of means, assuming that the end is attainable. It is the business of economics to prescribe the ways that people can use to achieve that end. Politics can contribute nothing useful as a means to abolish poverty, except to prevent the private use of force and fraud.

Endless Promises

Canute was astute enough to know this. Yet, modern political leaders throughout most of the world profess to believe that by politically directed measures, which they advocate and stand ready to implement, poverty can be eliminated. Whether they believe this or merely trade on the knowledge that most people want poverty abolished, they know that the way to get the highest count of noses for themselves is to promise such miracles, if elected.

They are persuading people that whatever is wished for can be had. In this, they have a lot going for them. People born around the turn of the century have witnessed the birth of the airplane, television, plastics, antibiotics, frozen foods, nuclear fission, orbiting satellites, the practical development of the automobile and radio, and countless other discoveries, inventions, and innovations. Some of these things were inspired and paid for by government and taxation. Private industry might have developed the jet plane and it might conceivably have put satellites into orbit, but probably not as soon as they were actually developed. It might eventually have developed nuclear power for peaceful purposes, but not the bomb.

Since government can claim the atomic bomb as its own creation

and plausibly assert that it is the agent responsible for the development of jet planes, radar and other devices that aid air and sea navigation, and orbiting satellites, politicians can point to these things as tangible evidence that government (in their hands) can and does find solutions to complex technical problems.

Lack of Performance

They can also point out the undeniable fact that the American system of profit-and-loss can and does produce and market an enormous range of products and services. They go on to say quite correctly that the technology exists to permit turning out not only more of what is now being produced but also other new products that have been developed but not yet marketed. Moreover, they assert correctly that laboratories are constantly developing new products and refinements and improvements on existing products.

Hence, they conclude in a magnificent *non sequitur*, it is obvious that it is only the greed of stockholders for dividends and of entrepreneurs for profits that limits what is produced to what the market will absorb. Just let us count your noses in our favor, say they, and we shall produce abundance so that you may never know want or discomfort, from the delivery

room of the government hospital to the packing of your ashes into an urn in the crematorium.

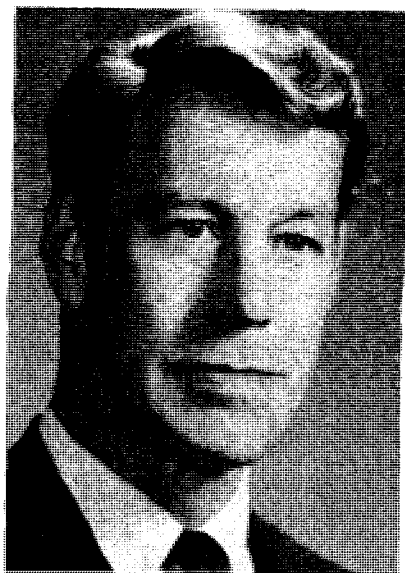
They completely ignore the fact of scarcity. In their eyes, or in their pretenses, all goods are as abundant and as readily available as the air. The only thing needed to supply them in unlimited quantities to everybody is money and management, both of which they'll gladly provide if given control of the apparatus of government! Where is the money to come from? That's easy. Taxes will provide part. The rest, the government can create by such devices as loading more and more government bonds into the commercial banks. If that process creates some inflation, why worry? Inflation breeds optimism which breeds spending, both by consumers and by industry, which breeds prosperity. Should any slackening occur, just a little more of the "hair of the dog" will cure matters. Thus, the road to never-ending prosperity is open and will remain so just as long as the count of noses comes out right.

Of course, this is nonsense. Goods are not free as air. They are scarce and they must be economized and used as wisely as entrepreneurial ingenuity permits to take care of people's most immediate needs and wants. Government has no magic costless way

to transform "thin air" into silver which is increasingly in short supply. A bank deposit to the credit of the United States Treasury, created by a book entry in return for some Treasury bonds or notes, is not "capital." True, it can be spent with some maker of machine tools who will eventually deliver milling machines or automatic lathes or whatever, which are capital items. This, however, merely takes them away from some manufacturer who would have used them, had he been able to get them, to make something that consumers would have freely chosen to buy at the going market price.

Living as he did in the eleventh century when freebooting was a way of life, King Canute knew that government is not omnipotent. It has the power to rob Peter and give to Paul from time to time and as often and as long as Peter will consent to being robbed. However, it cannot create economic goods out of thin air, no matter how urgently people want it to do so.

King Canute knew that royal power has its limits. Those who believe that a government has power without limit and the ability to create something from nothing, as long as a count of noses favors it, are doomed to a sad discovery. ♦



WILLIAM B. SMEETH

Visit with a Headmaster

TIMOTHY J. WHEELER

MY PRESET NOTIONS of how it would be did not even last long enough to accompany me into the school building. When I arrived at the Academy of Basic Education, on a sun-swept hilltop west of Milwaukee, I was greeted outdoors by Headmaster and founder William B. Smeeth. There was nobody nearby; judging from the mug of coffee in his hand, I supposed I had found him taking a break.

Not at all. This was, he explained after we had exchanged amenities, his composition class, Upper Form. Smeeth pointed to a

thick grove that shades the rear area of the school: "One of my students." I could see a young man wedged comfortably in the fork of a tree, apparently staring at nothing in particular, doing nothing at all. One in a class of nine. The others were nowhere in sight.

Such as I knew of the Academy until that moment was public scuttlebutt, and it was all wrong. According to the legend, the Academy is a showpiece of the nineteenth century, featuring a reversion to instruction by rote. If this misconception is widespread, then there is need of some image-polishing: a boy, more or less unsupervised, preparing his composition in a treefork, is hardly the

Mr. Wheeler is publisher of *Rally*, a new monthly journal of libertarian and conservative opinion geared for the young.

This article is reprinted by permission from the July 1966 issue of *Rally*.

object of mechanical teaching procedures; nor was he, I was to learn, producing the sort of undisciplined free expression that is urged by progressive doctrine. On one point, all observers agree: the Academy gets startlingly good results. Its students graduate one to three years ahead of their public school counterparts. Learning why was the reason for my visit.

Graduates Unprepared to Cope with Massed Propaganda

In 1948, the late Dorothy Sayers delivered a stunning address at Oxford, in which she expressed concern that —

— we let our young men and women go out unarmed in a day when armor was never so necessary. By teaching them all to read, we have left them at the mercy of the printed word. By the invention of the film and the radio, we have made certain that no aversion to reading shall secure them from the incessant battery of words, words, words. They do not know what the words mean; they do not know how to ward them off or blunt their edge or fling them back; they are a prey to words in their emotions instead of being the masters of them in their intellects. We who were scandalized in 1940 when men were sent to fight armored tanks with rifles, are not scandalized when young men and women are sent into the world to fight massed propaganda with a smatter-

ing of “subjects”; and when whole classes and whole nations become hypnotized by the arts of the spell-binder, we have the impudence to be astonished. We dole out lip-service to the importance of education — lip-service and, just occasionally, a little grant of money; we postpone the school leaving-age, and plan to build bigger and better schools; the teachers slave conscientiously in and out of school-hours; and yet, as I believe, all this devoted effort is largely frustrated, because we have lost the tools of learning, and in their absence can only make a botched and piecemeal job of it.

Her answer — which seems to me, if anything, more relevant to education in this country than in England — was to teach children how to learn before giving them subject material. She proposed restoration of the medieval Trivium, consisting of Grammar, Logic, and Rhetoric: the lost tools of learning. To what avail, she asked, do we teach an array of subjects if the student is not also instructed how to learn? How can he learn efficiently in school; how can he learn at all after graduation? These are cogent arguments, but they are only arguments, perhaps untranslatable into practice. Miss Sayers thought so: “It is in the highest degree improbable that the reforms I propose will ever be carried into effect.”

Learning How to Learn

She did not reckon on William Smeeth. The reforms are not only functioning at the Academy; they are proving their merit. From the first day there, Smeeth puts his students to learning how to learn. This is an abrupt departure in method from what one would find in other schools, and it must account for a good share of his success.

Even more at odds with public education, but more difficult to pin down on paper, is an attitude one finds at the Academy, that might best be described as a carefully nourished emphasis on the individual. This attitude soaks into the most humdrum facets of the daily routine; it is a working premise.

These elements seem to combine into a flawless pattern for success, yet I soon began to feel there was a missing intangible, something to glue them together. I found what I was looking for in the personality of the headmaster. William Smeeth is more than a teacher, more than an administrator: he is a man with a dream. It is a part of him no one will ever really know, although he does not always conceal it.

After I had been put at ease in the school and introduced to several of the teachers, I was turned loose to amble through the

classrooms as I pleased. "The pupils are used to it," I was assured. "You won't disturb them."

The building is not exceptional. It resembles a large ranch house, and may indeed be a former dwelling converted to school use by the addition of a classroom wing. I didn't inquire. Classrooms seem to be almost randomly placed, but are conventionally and comfortably equipped.

One striking difference is the books — they are everywhere, in huge cases, sometimes in disorderly piles; always in great number, even in the Lower Forms.

The Academy does not use regular textbooks to any extent, but relies on a variety of reading and reference books for its purposes. Among the encyclopedias, and in the children's lockers, I was delighted to see such as *Pinocchio*, *The Hobbit*, and the *Chronicles of Narnia*. Older students, I learned, are awarded bonuses for outside reading.

The present student body of 129 is grouped into classes by ability rather than age. Since abilities vary in differing areas of study, there is something of a shuffle after each period. The students have no difficulty adjusting to this. It is theoretically possible for the youngest student in the school to be in the most advanced class, if his ability is up to it. In practice,

it never works out that way. Ability groupings can be overruled when age differences are too pronounced, but the need seldom arises.

Basic Subjects, Rigorous Grading, Composition, and Recitation

The curriculum is unusual relative to public education, but not astonishing. For instance, the Lower Form is taught Phonetics, Spelling, Vocabulary, Penmanship, Reading, Grammar, Composition, Memorization, Arithmetic, Geography, and Music (a very fine application of the first portion of the Trivium, Grammar). Even Lower Form students are rigorously graded on all their work. Honor Rolls are prominently displayed, including one for students who have improved their work markedly. Later on, the student will receive English, Mathematics, Latin, French, Geography, and History.

Because Smeeth believes it invaluable for structuring the mind, composition is stressed from the beginning. Composition and recitation: students read what they have written before the class.

I saw no shyness about reciting. On the contrary, the students clamored for their chance. As I watched this time and again, I was struck by the contrast to a public school class, where a few of the children raise their hands every

time while the rest remain doggedly silent. At the Academy all were eager to recite, to share with their classmates, I thought, what they were proud to have learned. It was striking. What sort of instruction could impart a love of knowledge in children so young? I wondered.

It occurred to me that we might be dealing with exceptional children. Plainly they were not "disadvantaged," as the educators say of the products of poor or broken homes. The tuition ruled that out. I asked Smeeth about it: were his students selected especially for their brains? No. In fact, many are remedial cases from public schools. They are perfectly normal children. "However," he added, "we have to get them early, before their educational experience elsewhere dulls their appetite for learning."

I could concede the point without reservation on seeing a ten-year-old, apparently a banana-a-day addict, carrying a notebook pasted solid with Chiquita-brand stickers: utterly normal. I watched the same young man give a most able presentation on the culture of India, which he had researched on his own at length. After his recitation, he was questioned closely by his classmates for details. It was an impressive performance all the way around.

Entrance Qualifications

When could a child start? I wanted to know. Smeeth referred me to a qualification test. "The applicant will be expected to (1) recite the alphabet and recognize the separate printed letters; (2) write or print his name; (3) count and recognize the printed numbers up to at least 20; (4) state his full address (street number and name, city, state, and country); (5) recite at least two nursery rhymes; (6) divide small numbers of sticks or blocks into equal piles; and (7) listen to a story and answer questions." Fair enough. There is an explanatory afternote, to parents, worth mention: "Your child will begin to show interest in reading or numbers some time between age 5 and 6. When this miraculous change takes place in the young tot, he/she is usually ready to begin formal academics: reading, writing, and soon arithmetic. The requirements for entrance into the Academy simply recognize this fact in the youngster's growth pattern." "Miraculous change" — a pretty sentiment, and an indicator of the Academy's regard for the individual.

It is this regard, above all, that makes the school distinct; yet it is extremely difficult to articulate, much less explain in terms of program. In our several long talks, even Smeeth, who makes it work,

struggled on occasion in translating his view of the individual for me.

Personal Attention

On the other hand, there is a part of its programmatic application that is readily explained — teachers. Smeeth handpicks them, and there is no want of applicants. Selection is a matter of judging character. In the four years of the Academy's existence, Smeeth has had plenty of experience at it, but still misses once in a while.

There is no advantage, he explains, for the applicant to present himself as savvy in the right school of economics or politics. Neither is it a demerit. The decisive point is that the applicant must share Smeeth's own intense regard for the individual. Given that attitude, the teacher will have little difficulty adjusting to the Academy's ways, and need learn little about its form of instruction. It is thereafter simply a matter of highly personal attention to every student.

One way the teaching applicant can disqualify himself is to ask how far he is supposed to take his students during the term — Smeeth will have explained the curriculum as a whole. To one who shares Smeeth's outlook, the answer is self-evident: "as far as the individual students will go." A teacher

accustomed to giving his charges measured doses of subject material will not fit in.

Helping the Student "Plug Himself In"

Smeeth referred to a concept his teachers had developed, to elaborate. "They have a catch-phrase, getting someone to 'plug himself in,' coming from the idea that the individual's personality is something like a switchboard. The personality is complex, like the wiring in the cabinet, but you can see potentials, the plugs on the board. The teacher looks for ways to help the student realize his built-in potential. To make all the lights go on. To plug himself in."

"There is a similar concept they find useful," Smeeth continued, "'probing the periphery.' What they mean is the periphery bounding the student's capabilities, which they probe from every angle, trying to get him to broaden out, better himself, expand his periphery."

The similes seem laborious, but one gets the idea, and it is not an easy idea to put across. For the teachers, of course, these are convenient shorthand for the exchange of ideas on how to evoke the best from this or that student.

The right stress, "plugging *himself* in," makes it clearer to the outsider what Smeeth is driving

at. The critical recognition by the Academy is that development is from within. The teacher is present as a coach, or (possibly) a goad; never as one to machine-gun information into the undifferentiated class-group. If such a distinction is permissible, I would say the Academy concentrates on learning instead of teaching. "The responsibility to learn lies entirely with the student. Our role is simply to help the individual become all he can be," Smeeth says.

"You know," he adds, "it is a joy to be present as the child unfolds into the adult."

The remark was a relatively rare interjection of self into the discussion. For all that, the visitor is almost immediately aware of Smeeth's intense personal involvement with his ideas, and his satisfaction at putting them to work every day. In a word, he is dedicated. It accents his comments; it shows in his face.

"By any chance" — by then I was sure I knew the answer to my question — "are you acquainted with Dorothy Sayers' essay, 'The Lost Tools of Learning'?" But to my surprise, he replied in the negative. Then, "Yes!" — "I didn't catch the name right for a moment." He shuffled through a stack of papers and produced a battered, dog-eared copy of it. Constant use had worn it to a frazzle.

How It All Began

The school-day was drawing to a close as we talked, and there was time for few more questions. How did he come to found the Academy? It is a long story and not particularly pertinent here, except as it exemplifies any man who gives up an established career to start from scratch in a more idealistic field. Smeeth had been a highly successful businessman (he is proud that he runs the Academy in a business-like way), active in local politics, a member of the martini circuit, and all the et ceteras. The day came when he'd had his fill of it, and got out. He spent the next months seeking out superior ideas about education, although with no conscious idea of establishing a school — that developed naturally as a product of circumstances, and of his researches attracting the interest of the right people. I got the impression that

not until he was engrossed in the Academy did he fully understand how right it was for him.

One incidental point. Could he tell me what his morning composition class had been assigned? "I told them," Smeeth replied, "to wander through the school's woods, select a secluded spot, and set up shop. 'Tune in your antenna; listen; focus on the sounds, wherever they lead you. Observe. Feel. Seek out the secret.' They were to describe what they heard, saw, felt, and smelled. And then they were to be aware of what thoughts came to them from the stimuli of their senses. Their results made me ashamed of my own college efforts."

It would be hard to get any farther than this from the public mythology that surrounds the Academy. I decided that on my next visit I would like to read what they had composed. ♦

IDEAS ON LIBERTY

We Cannot Escape Ourselves

RESOURCES of the spirit are like savings: They must be accumulated before they are needed. When they are needed, there is no substitute for them. Sooner or later, the individual faces the world alone, and that moment may overwhelm him if he has no resources within himself.

Distraction helps but little and betrays us when we least expect it. We can escape our physical environment and our neighbors, but we cannot escape ourselves. Everyone with any maturity of experience and self-knowledge knows that the loneliest moments are sometimes experienced in the midst of the greatest crowds and the most elaborate entertainments.



*Not equal Rule, the Government of Laws,
And all protecting FREEDOM, which alone
Sustains the Name and Dignity of, them—
FOR THESE HE LIVED.*

the First Liberty Library

MURRAY N. ROTHBARD

THE LONE individual is seldom given credit as a shaper and mover of great historical events; and this is particularly true when that individual is no famous statesman or military hero, nor leader of a mass movement, but simply a little-known person pursuing his own idea in his own way. Yet such a person, scarcely known in his day and totally forgotten by historians until the last few years, played an important role in one of the most significant events in modern history: the American Revolution. In all the welter of writing on the economic, social, political, and military factors in the Revolution, the role of this one obscure man, who directed no great events nor even wrote an influential book, had been completely forgotten; and yet now we know the great influence of this man and his simple idea in forming an event that has shaped all of our lives.

Thomas Hollis of Lincoln's Inn (1720-1774) was an independently wealthy Englishman of the eighteenth century, who came from a long line of leading merchants and Dissenters (non-Anglican Protestants). From early in life, Hollis developed two passions that were to guide and consume his life: books and individual liberty. The

Dr. Rothbard is a professor of economics at the Polytechnic Institute of Brooklyn. Among his works are the comprehensive two-volume treatise, *Man, Economy, and State* (1962) and *America's Great Depression* (1963).

devotion to liberty was not surprising, for the Hollis family had long been steeped in the libertarian "Commonwealthman" or "Real Whig" tradition, a tradition derived from the English republicanism of the seventeenth century. What was unique about Thomas Hollis was his fusion of an intense devotion to books and to liberty, a fusion which led to his particular idea, to the cherished "Plan" to which he would dedicate his life. This was a plan to disseminate the writings of liberty (his affectionately named "liberty books") as widely as possible to kindle the spirit and the knowledge of liberty throughout the world.

His Own Kind of Public Service

Offered a chance, in his mid-thirties, to enter Parliament, Hollis refused to join what he considered the inevitable corruption of the political life; instead he decided to devote himself to his Plan to distribute libertarian books. Hollis thus came to spend the bulk of his life collecting and disseminating books and pamphlets and mementoes of liberty where he believed they would do the most good; when books could not be obtained, he financed the republishing of them himself. Every phase of their publication and distribution was shepherded

through by Hollis as a labor of love. The typography, the condition of the prints, the luxurious binding and stamping, all were enhanced by his efforts. When sending a book as a gift to a library, person, or institution, which he usually did anonymously, Hollis took the trouble to inscribe the title page with mottoes and quotations appropriate to the book itself. Even "liberty coins," medals, and prints were collected by Hollis and sent to where they might best be used.

At first, Thomas Hollis sent the benefits of his largesse far and wide, throughout Europe and Asia as well as England and Scotland. But after the Stamp Act troubles in 1765, Hollis concentrated almost all his efforts on the American colonies, in which he and his family had always been interested. The family had often contributed to Harvard College, and now a fire at Harvard, coinciding with the eruption of the Stamp Act turmoil between America and England, gave Hollis the opportunity to send a host of libertarian books and pamphlets to restock the Harvard library, to which he sent no less than 1,300 books! For Hollis was particularly aware of the importance of diffusing the principles of liberty among youth, and especially among university students. Harvard was particularly recep-

tive soil, for it was at the center of the growing revolutionary spirit in the American colonies, a spirit that could only be fueled by the writings of the English revolutionaries of the previous century and their spiritual heirs: men such as the martyred Algernon Sidney, John Locke, John Milton, John Toland, Henry Neville, John Trenchard, and Marchamont Nedham.

Hollis supplemented these activities by sparing no effort on behalf of the American colonists, including writing letters, public and private, wherever he could and reprinting and distributing writings favorable to the Americans. These works included tracts by American and English authors, as well as letters by Hollis' friends written to the London press, usually after being prodded into writing them by the indefatigable Hollis.

Samuel Johnson Pays Tribute

While far from famous in his own day, Thomas Hollis and his Plan were well known in English intellectual circles, where that crusty old Tory, Dr. Samuel Johnson, angrily pinned upon Hollis the responsibility for the American Revolution. Ironically, Johnson had at first brusquely dismissed the unprepossessing Hollis as a harmless "dull poor creature." Professor Caroline Robbins, who

has done yeoman work in rescuing Hollis from total obscurity, eloquently concludes that Dr. Johnson's final assessment was not so very wrong:

When his gifts to Americans of his "liberty books" and his propaganda for them are considered, Dr. Johnson's attribution to Hollis of some share at least in the American Revolution seems hardly exaggerated. . . .

The famous plan of Thomas Hollis of Lincoln's Inn was itself a microcosm of the activities of all his liberal contemporaries. Those books, pictures, medals, and manuscripts he began to collect as a young man in the reign of George II represented to him and to his friends the great tradition of English liberty. He wanted to spread knowledge of this sacred canon around the world. As he saw in the policies of George III and his ministers a threat to all he most valued in his dear, native land, he concentrated his efforts to send overseas American friends as much of the heritage as could be confined in print and portrait. The New World would provide an asylum for the freedom his ancestors had fought for in the old.

Hollis was right. In America the academic ideas of the Whigs of the British Isles were fruitful and found practical expression. Americans opposing English policies made claims which could be contradicted from past experience and practice, but in using the natural rights doctrines

they were appealing to tradition still lively among their English sympathizers. . . .¹

Influence in America

Thomas Hollis' most direct influence in America fell upon its most eminent libertarian minister, the Congregationalist divine from Boston, the Rev. Jonathan Mayhew. Having discovered Mayhew as a fervent champion of religious freedom and disseminated Mayhew's work in England, Hollis began an ardent lifelong friendship by correspondence with Mayhew which rapidly expanded the horizons of the New England minister from religious to political liberty. Mayhew's biographer testifies to the enormous influence wielded by Hollis' correspondence and by his periodic shipments of boxes filled with libertarian books, manu-

scripts, pamphlets, and assorted memorabilia.²

Thomas Hollis was not destined to see the fruit of his beloved Plan in the American Revolution. But though this lone man of learning was quickly forgotten, recent historians, in the wake of the researches of Caroline Robbins, have begun to recognize the tremendous influence upon the American Revolution, not only of Hollis himself, but of the entire English libertarian tradition which Hollis did so much to revive and disseminate. The recent works of Charles W. Akers, David L. Jacobson, and particularly Bernard Bailyn have demonstrated how much the birth of America owed to the English libertarian tradition carried on and transmitted by a few stalwart Commonwealthmen of the eighteenth century.³ ♦

¹ Caroline Robbins, *The Eighteenth-Century Commonwealthman* (Cambridge, Mass.: Harvard University Press, 1959), pp. 268, 384-85. Miss Robbins first resurrected the role of Hollis in her "The Strenuous Whig, Thomas Hollis of Lincoln's Inn," *The William and Mary Quarterly* (July, 1950), pp. 406-53, and in her "Library of Liberty—Assembled for Harvard College by Thomas Hollis of Lincoln's Inn," *Harvard Library Bulletin* (Winter and Spring, 1951), pp. 5-23, 181-96.

² Charles W. Akers, *Called Unto Liberty: A Life of Jonathan Mayhew, 1720-1766* (Cambridge, Mass.: Harvard University Press, 1964), pp. 139-48 and *passim*.

³ See Bernard Bailyn, "General Introduction," *Pamphlets of the American Revolution, Vol. I* (Cambridge, Mass.: Belknap Press of the Harvard University Press, 1965); David L. Jacobson, ed., *The English Libertarian Heritage* (Indianapolis: Bobbs-Merrill, 1966).

FOR *Want*

OF SOMETHING BETTER

ROBERT LEKACHMAN'S *The Age of Keynes* (Random House, \$6) is aptly titled. As Professor Milton Friedman puts it, "We are all Keynesians now." At least we all have had to make adaptation to the realities of Keynesian political manipulation. But, since John Maynard Keynes said so many things at so many different times in his life (he ended by expressing his worries about the future of individualism to Professor Hayek), professions of loyalty to the Master don't really get us very far. Marx said in his old age that he was not a Marxist, and Keynes, if he had lived, might have followed suit.

Keynesianism, as Professor Lekachman demonstrates, began as a special response to the economic condition of Britain in the nineteen twenties and thirties. Those were the days of stagnation and the dole. As Keynes said, Winston Churchill, who held the uncongenial post of Chancellor of the Exchequer in the mid-twenties, had committed himself "to force

down money wages and all money values, without any idea of how it was to be done." The attempt to return to the gold standard at a dollar valuation of the pound which made British costs and prices too high for competition in world markets was highly unrealistic. For better or worse, the strength of union organization in the twentieth century is such that no democratic government dares make the attempt to restore profitability by forcing money wages down. Thus, an inflationary bias is built into the system of twentieth century capitalism. Realist that he was, Keynes recognized the power of the labor unions. His proposals for "government investment" were pitched to building up "aggregate demand" to the point where capitalists could make money and still pay union wages to a lot more people. For want of something better, he offered a special formula for getting off a sticky wicket.

It is easy to understand how Keynesianism got its hold on the

world in the nineteen thirties. The trouble is that it created a new breed of economists, of whom Professor Lekachman is at least tentatively one, that sees the whole future history of the human race as a continuation of the special situation that existed between the two world wars. This breed continues to think of government "investment" of one sort or another as the only sure guarantee of enough "aggregate demand" to keep the enterprise system going without falling prey to the socialists.

The "massive spending" theory seems to have been justified by what happened in World War II, when government purchases of war material put all our factories to work and wiped out the unemployment which had defied the most earnest cogitations of Franklin Roosevelt's brain trusters. But it did this by breaking the dollar in two. At the same time it destroyed the currencies and the economic plant of two big continents. When the war was over, a new "special situation" existed. As Will Clayton said, the "world was naked." It had to do business with and in U.S. fifty-cent dollars. And reconstruction had to be carried forward. Psychologically, the age of stagnation had come to an end.

What picked things up to create

such phenomena as the "German miracle," the Japanese revival, and the long U.S. booms? If the play on words may be pardoned, we don't find the key in Keynes, who was hipped on the monetary aspects of economics. Schumpeter, who kept his eye on technological change, is a better guide to post-World War II history.

Pushers vs. Pullers

Economists seem to fall into two loose categories. There are the "pull" theoreticians who think that "aggregate demand" is a function of the money and credit supply. And there are the "push" theoreticians, beginning with the Say of Say's Law of Markets, who think that the creation of goods and services makes for an exchange situation that automatically builds up "aggregate demand." Whether one is a "pull" theoretician or a "push" advocate may very well be a matter of glandular endowment. The "pull" philosophy proceeds from a pessimistic view of the possibilities inherent in human ingenuity and human energy. The "push" view is inseparable from an optimistic trust in what inventive men are capable of doing.

During the thirties, I spent the first half of the decade reading books about the plight of the world. Though I am congenitally an opti-

mist, I forced myself into the negative mold that was then all the rage in the intellectual circles that fed the New Deal. During the second half of the decade I worked for *Fortune* Magazine, doing corporation stories. The latter experience was worth far more than the earlier dalliance among the pessimists.

For what was happening in the thirties at the laboratory and factory level was proof to a neophyte's wondering eyes that the tides of economics move in response to the tinkerer, the laboratory man, the inventor, the ingenious rearranger, even more than they move in response to the fiscal and monetary priests. Economists should spend more time visiting factories! In the decade of the thirties the seeds were planted that led, after 1945, to the dazzling efflorescence of the synthetics market. The Du Pont company owed far more to professors of chemistry than to professors of economics.

The Keynesians, trying to raise aggregate farm income by acreage restrictions, thought they had the agricultural situation well in hand. But the new fertilizers and insecticides and genetic discoveries, coming out of the laboratories of the thirties, made a mock of restrictionism, and the modern farm revolution, which forced many an

inefficient producer off the land, happened anyway. The jet plane came with the war, and is only now coming into its own commercially, to the point where it yields higher wages to machinists who have succeeded in flouting Keynesian wage-price guideposts. The TV market, held back by governmental busybodies in the thirties, finally got off dead center. And the whole world of electronics, pushed along by the war-born need for such things as radar, boomed along with TV.

So, is it Keynesian wisdom that has kept us going since 1945, or is it the older wisdom that puts its trust in the constant emergence of so-called "ladder industries"? The "pull" theoretician will take Professor Lekachman's word for it that Keynesian government servants have kept us prosperous. The "push" advocate will look back to older economists such as the forgotten Garet Garrett, or to Professor Schumpeter, or to the Austrians who think that if the money tinkerers desist, the inventors will have a better chance of getting their innovations to the buying public.

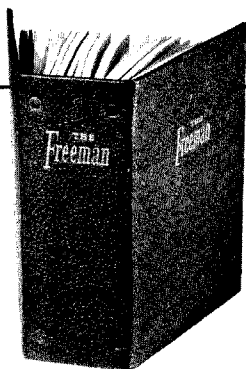
A Way with Words

Having posed my glandular bias against that of Professor Lekachman, it remains to be said that *The Age of Keynes* is a delight-

fully written book. Keynes himself was a literary man of high ability, and his way with words has rubbed off on many of his modern disciples. Indeed, the influence of the neo-Keynesians may be due more to their gift for phrases than their economic logic.

Professor Lekachman's history is mainly correct as to the facts he uses to support his theory. But there are some telling omissions. It is at least slightly unhistorical to give Professor Alvin Hansen the credit — or the obloquy — for evolving the theory of permanent

American secular stagnation; Rexford Tugwell came before him, and, what is most important, it was Tugwell who sold the idea of the overbuilt economy to President Roosevelt. Again, it is a little strange to find Keynesians in general, and Professor Walter Heller in particular, reaping all the high praise for the 1965 income tax cut. Conservatives have been shouting for lo, these many years that high taxes are a drag on productivity. When Keynesians return to common sense, it should be treated as a conversion, not a dazzling discovery. ♦



HANDSOME BLUE LEATHERLEX **FREEMAN BINDERS**

Binders with Issues inserted
for Calendar Years 1963 and 1964:

Either year	\$ 5.00
Both	10.00

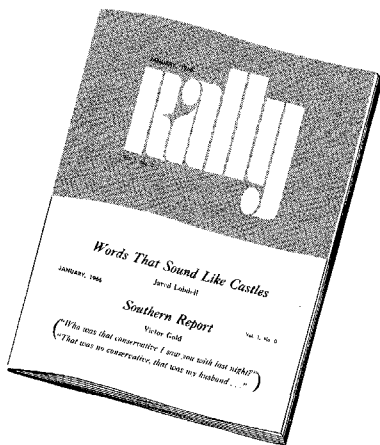
Binder only, \$2.25 each

Have You Seen RALLY Yet?

You should. In fact, we are so sure you will like RALLY, we will send you a free copy . . .

. . . So you can see for yourself the most exciting journal in a decade. RALLY is a new monthly created by the young conservatives and libertarians of the "Revolt on the Campus" generation. You'll find clear, compelling writing. Graceful format. A fresh, vigorous, youthful, good-humored outlook that makes it a joy to read. These are some of the features that make RALLY "a valuable new voice of a new generation," in the words of the Charleston News & Courier.

The best way we know to introduce you to this great new journal is to send you a free copy . . . and let you decide for yourself if you want to continue receiving RALLY each month. Simply mail



the no-risk trial subscription form below. We will send you your free copy by return mail.

If RALLY is not all you expected, just let us know; your trial sub will be cancelled immediately. If, on the other hand, you find RALLY to your liking, you need do nothing more — it will arrive automatically. And if you act now, you can still enjoy RALLY at money-saving introductory rates!

RALLY

☐ Bill me

☐ Payment
enclosed*

☐ 1 year at \$5

☐ 2 years at \$9

☐ 3 years at \$12.50

P. O. Box 7068, Wauwatosa, Wis. 53213

Yes, I'd like to give RALLY a try. Please enter my trial subscription, and send me a free copy by return mail. (Check term)

Name _____

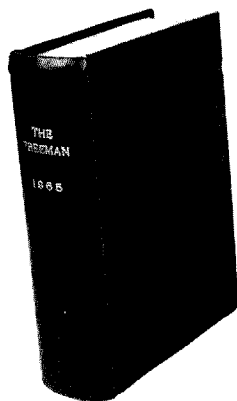
Address _____

City/State _____

Zip _____

*Entitles me to an extra issue for each year.

☐ Please begin my subscription with Volume 1, Number 1.



BOUND VOLUMES OF *The Freeman*—1965

Attractively sewn in a single volume with hard cover, the 12 issues from January through December, fully indexed—768 pages, for handy reference to the latest literature on freedom.

Only \$5.00

These bound volumes of THE FREEMAN match in appearance and otherwise continue the 12-volume series of *Essays on Liberty* containing selections from THE FREEMAN and other Foundation releases back to 1946. (A separate cumulative subject matter, author, and title index is available for the 12 volumes of *Essays on Liberty*. \$1.00.)

Bound volumes of THE FREEMAN for 1966 will be available shortly after the end of the year.

ORDER YOUR BOUND VOLUMES NOW!

THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, N. Y. 10533

Please send me:

THE FREEMAN for 1965 \$ 5.00 ☐

THE FREEMAN for 1965 and 1966 (The 1966 volume
to be shipped when ready) \$ 9.00 ☐

ESSAYS ON LIBERTY (Set of 12, with cumulative index) Cloth \$30.00 ☐
Paper \$20.00 ☐

☐ CHECK ENCLOSED

☐ SEND INVOICE

NAME _____

STREET _____

CITY _____

STATE _____ ZIP CODE _____

THE *Freeman*



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

THE LAW

■ 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.

FREDERIC BASTIAT (1850)

To:

street

city

state

zip code

PLACE
5-CENT
POSTAGE
HERE

THE *Freeman*

IDEAS ON LIBERTY

NOVEMBER 1966

The Freedom Nobody Wants	Edmund A. Opitz	3
The Government Veto System	Lawrence Fertig	17
In Case of Difference	Edward A. Lewis	22
The Roots of War	Ayn Rand	24
The Law of Liberty	Kenneth W. Sollitt	33
The Flight from Reality:		
26. Conclusion:		
The Pen AND the Sword	Clarence B. Carson	36
Protective Taxes and Wages	William G. Sumner	56
Books:		
Shedding Friendships	John Chamberlain	60
Other Books		63



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



"TIGHT MONEY and what it means to you".

Send for your free copy of this timely and informative article by President Joe Crail.

Individual financial security is one way to help keep our nation economically strong. A Coast Federal Savings account is designed to encourage you to save.

SAFETY

Sound, Conservative Management
Insured Savings Accounts

CURRENT RATE...

HIGHER EARNINGS

5 $\frac{1}{4}$ %
per year, compounded
daily, effective July 1, 1966

CONVENIENCE

Save-by-Mail pays AIR MAIL postage both ways

COAST FEDERAL SAVINGS AND LOAN ASSOCIATION
Department F₂, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of "Tight Money"
- ☐ I enclose my check (or money order) for \$ _____
- ☐ Please open a Coast Federal Savings account—
 - ☐ Individual
 - ☐ Joint in the name(s) of _____

NAME _____

STREET _____

CITY _____ STATE _____

6-152A



COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

✓ Our other cherished freedoms, suggests Edmund Opitz, may be of little worth to us if we continue to neglect and deny the freedom of the market

.....p. 3

✓ Just how the market is prevented from functioning is spelled out in further detail as Lawrence Fertig describes "The Government Veto System"

p. 17

✓ If the other fellow is "always right," there may be a need to strengthen one's own convictions

p. 22

✓ Ayn Rand sees the roots of war in the excessive statism and unwarranted use of force in domestic affairs

.....p. 24

✓ True liberty is found only by doing what we ought because we want to and not because we have to

p. 33

✓ Dr. Carson concludes his series on **The Flight from Reality** with a timely warning to those reformist dreamers who imagine they can combine pen and sword to have their cake and eat it, too

.....p. 36

✓ Had he written it today instead of in 1883, William Graham Sumner could not have commented more appropriately on the disastrous consequences of union political practices

.....p. 56

✓ John Chamberlain makes the most of the literary travelogue through **The Best Times** of John Dos Passos

.....p. 60

✓ **The Generosity of Americans** by Arnaud C. Marts is reviewed by Richard Christenson

p. 63



A MONTHLY JOURNAL OF IDEAS ON LIBERTY

NOVEMBER 1966

Vol. 16, No. 11

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "The Roots of War," "The Law of Liberty," and "The Flight from Reality."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

the Freedom Nobody Wants . . .

EDMUND A. OPITZ

FREEDOM TODAY has what might be called a good press; everyone speaks well of freedom. It is in the same category as motherhood, Sandy Koufax, and pure water. Nobody will admit that he is "agin" freedom. In modern times there has been a booming market for the Four Freedoms, and for Freedom Now. There is a vocal Free Speech Movement on college campuses. We celebrate freedom of the press and condemn censorship; we cherish religious liberty and hail academic freedom. The mood of our time is favorably disposed toward every freedom except one, and that outcast freedom is Freedom of Economic Enterprise.

Economic freedom suffers attrition from within and attacks from

without. Individual businessmen often seek to evade market mandates, and intellectuals do not want people to have complete latitude for their peaceful economic transactions. This is how Professor Milton Friedman views the problem: "It has often seemed to me that the two greatest enemies of the free market are businessmen and intellectuals, for opposite reasons. The businessman is always in favor of free enterprise—for everybody else; he is always opposed to it for himself. The intellectual is quite different; he is always in favor of free enterprise for himself, always opposed to it for everybody else. The businessman wants his special tariff or his special governmental commission to interfere with free enterprise, in the name, of course, of free enterprise. The intellectual, too, wants such commissions to con-

This article is one of the seminar lectures delivered by the Reverend Mr. Opitz as a member of the staff of the Foundation for Economic Education.

trol the rapacious man. But he is against the idea of any interference with his academic freedom, or his freedom to teach what he wants and direct his research as he wants—which is simply free enterprise as applied to him.”¹

I wish to focus first on economic freedom and demonstrate that maintaining the integrity of the free market is essential to the preservation of every other liberty. Later I shall deal with some of the things on which the free market depends.

Freedom to Think

Liberties of the mind are self-evidently valuable to most intellectuals. No man whose business it is to think and write, no man who deals in ideas, wants his efforts along these lines to be hamstrung. He wants to be free to think daring thoughts and come up with novel ideas that challenge the prevailing orthodoxy. And he is right. Mankind has no way of advancing *en masse*; every step forward out of primitivism has been accomplished first by some innovator who moved out beyond the herd and then drew the rest of us painfully forward. There is a sort of gravitational pull that operates on the human enterprise, which makes our normal condition one of stagnation. We get on dead center

and most of us are content to stay there. Then, along comes some inventor with a new idea which counteracts the pull of gravity, and we move off dead center. Thus, over the millennia, have people climbed the stiff ascent of civilization—only to slide down over the other side when they neglect the intellectual and spiritual heritage which spurred their climb.

Liberties of the mind are not under serious attack today. Nearly everyone favors the freedom to think, write, teach, preach, and publish. But it seems to many scholars and intellectuals that the grubby concerns of the market place are beneath them. They have little concern with what takes place in factories, stores, and banks because, after all, this is the material side of life and the intellectuals are concerned with higher things, with things of the mind. And so it happens that many believers in freedom in general attack economic freedom in particular.

In this they are not only wrong, they are disastrously wrong; there is an economic base supporting every one of the intellectual and spiritual freedoms these people cherish. And if this economic base is not free, if authoritarian controls are wrapped around this economic base, the controls will inevitably and eventually extend to

¹ *Farmand* II/12, 1966, page 51.

the superstructure. Liberties of the mind and spirit do not and cannot exist in a vacuum; they form, in connection with economic liberty, a package, and this package cannot be picked apart without being destroyed.

The Economic Foundations

The arguments which support the right of a man to spend his energies in any peaceful way he chooses in the editorial office, the classroom, or the pulpit, likewise support his right to the free exercise of those energies in his store or factory. Or, to put it the other way round, every argument for controlling the peaceful exercise of a man's energy in his workshop is an equally valid argument for controlling him in his study or classroom. Freedom is all of a piece; philosophizing is not the same as digging a ditch, but socialize the ditchdigger and the philosopher begins to lose some of *his* freedom. Freedom in the market place and liberties of the mind go together.

George Santayana reflected sadly that the things that matter most in life are at the mercy of the things that matter least. A bullet, a tiny fragment of common lead, can snuff out the life of a great man; a few grains of thyroxin one way or the other can upset the endocrine balance and

alter the personality, and so on. But the more we think about this situation and the more instances of this sort we cite, the more obvious it becomes that the things Santayana declared matter least, actually matter a great deal. They are tied in with the things which matter most and the things which matter most depend on them! In precisely the same way, economic liberty matters a great deal because every liberty of the mind is connected with freedom of the market, economic freedom. There's an old proverb to the effect that whoever controls a man's subsistence has acquired a leverage over the man himself, which impairs his freedom of thought, speech, and worship.

F. A. Hayek put it this way: "Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends."²

The government of a totalitarian country like Russia or China acts as a planning board to direct the production and distribution of goods. In practice, there is bound to be a lot of leakage — as witness the inevitable black market. But to whatever extent the state does control the economic life of a people, it directs every other aspect of life as well.

² *The Road to Serfdom*, page 92.

No Room for Rebels

The masses of people everywhere and at all times are content to drift along with the trend; they pose no problem for the planner. But what happens to the rebels in a planned economy? A man who wants to publish an opposition newspaper in a place like Russia or China would have to obtain presses, paper, and a building from the state—to attack the state! He would have to find workmen willing to risk their necks to work for him; ditto, people to distribute; ditto, people willing to be caught buying or reading the paper. Or take the orator who wants to protest. Where could he find a platform in a country in which the state owns every stump, street corner, and soap box—not to mention every building. Suppose you didn't like your job, where could you go and what could you do? Your job is pretty bad, but it is one notch better than Siberia or starvation, and these are the alternatives. Strike? This is treason against the state, and you'll be shot. Listen to George Bernard Shaw, defining socialism, writing in *Labor Monthly*, October, 1921: "Compulsory labor, with death as the final penalty, is the keystone of socialism."

Under primitive economic conditions a man has to be a jack-of-all-trades, able to turn his hand to

a variety of occupations. If a pioneer family wants shelter, it builds a sod house or a log cabin; if it wants clothing, it weaves the cloth and fashions the garment; if it wants potatoes, it raises them; if it wants meat, it shoots a deer; and so on. But we live in a division of labor society where individuals specialize in production and then exchange their surpluses for the surpluses of other people until each person gets what he wants. Most of us work for wages; we produce our specialty, and in return we acquire a pocketful of dollar bills. The dollars are neutral, and thus we can use them to achieve a variety of purposes. We use some of them to satisfy our needs for food, clothing, and shelter; we give some to charity; we take a trip; we pay taxes; we go to the theater; and so on. Our money is a means we use to satisfy our various ends.

A Science of Means

Economic action by itself does not generate a world view, although Marx believed it does. Economics has often been called a science of means. The economist, speaking as an economist, does not try to instruct people as to the nature and destiny of man, nor does he try to guide them toward the proper human goals. The ends or goals people strive

for are, for the economist, part of his given data, and his business is merely to set forth the means by which people may attain their preferences most efficiently and economically. Let me buttress this point by a quotation from Ludwig von Mises: "It is true that economics is a theoretical science and as such abstains from any judgment of value. It is not its task to tell people what ends they should aim at. It is a science of the means to be applied for the attainment of ends chosen, not, to be sure, a science of the choosing of ends. Ultimate decisions, the valuations and the choosing of ends, are beyond the scope of any science. Science never tells a man how he should act; it merely shows how a man must act if he wants to attain definite ends."³

When people are free to spend their money as they please they will often spend it foolishly. As consumers, they will demand—and producers will obediently supply—goods that glitter but are shoddy; styles that are tasteless; entertainment that bores; and music that drives us nutty. Nobody ever went broke, H. L. Mencken used to say, by underestimating the taste of the American public. But this, of course, is only half the story. The quality product is available in every line for those who

seek it out, and many do. The choices men make in the economic sector will be based upon their scales of values; the market is simply a faithful mirror of ourselves and our choices.

The Realm of Ends

Now, man does not live by bread alone, and no matter how much we increase the quantity of available material goods, nearly everyone will acknowledge that there is more to life than this. Individual human life has a meaning and purpose which transcends the social order; man is a creature of destiny.

As soon as we begin talking in these terms, of human nature and destiny, we move into the field of religion—the realm of ends. And a science of means, like economics, needs to be hitched up with a science of ends. The more abundant life is not to be had in terms of more automobiles, more bathtubs, more telephones, and the like. The truly human life operates in a dimension other than the realm of things and means; this other dimension is the domain of religion—using the term in its generic sense.

If we as a people are squared away in this sector of life, we'll be able to take economic and political problems in our stride. On the other hand, if there is widespread

³ *Human Action*, page 10.

confusion about what it means to be a human being, so that people are at sixes and sevens in this matter of the proper end of human life — some seeking power, others wealth, fame, publicity, or pleasure — then our economic and political problems overwhelm us. If economics is a science of means, that is, a tool, we need some discipline to help us decide how to use that tool. The ancient promise is that if we put first things first, by giving top priority to the search for the Kingdom of God, our actions will then conform to the law of our being, and we'll get the other things we want as a sort of bonus. You may rephrase this idea, if you wish, to put it into a contemporary idiom; but the truth of it is hardly contestable.

The Rules for Prosperity

I have spoken of economics as a science of means. What is the distinguishing feature of a science, and in what sense is economics a science? Adam Smith entitled his great work, *The Wealth of Nations*; one of Mises' books is entitled, *The Free and Prosperous Commonwealth*. It is clearly evident that these works deal with national prosperity, with the overall well-being of a society, with upgrading the general welfare. These are works of economic science, insofar as they lay down

the general rules which a society must follow if it would be prosperous.

The distinguishing feature of a science, any science, is that it deals with the general laws governing the behavior of particular things, often reducing these laws to mathematical relationships. Science is not concerned with particular things, except insofar as some particular thing exemplifies a general principle. When we concentrate on a particular flower, like Tennyson's "flower in the crannied wall," we move into the realm of art and poetry. Should we want the laws of growth for this species of flower, we consult the science of botany. These books by Smith and Mises lay down the rules a society wishing to be prosperous must follow. They do not tell you as an individual how to make a million in real estate, or a killing in the stock market. This is another subject.

The question before the house in economic inquiry is: "How shall we organize the productive activities of men so that society shall attain maximum prosperity?" And the answer given by economic science is: "Remove every impediment that hampers the market and all the obstructions which prevent it from functioning freely. Turn the market loose and the *nation's* wealth will be maximized." The

economist, in short, establishes the rules which must be followed if we want *society* to be prosperous; but no conceivable elaboration of these rules tells John Doe that he *ought* to follow them.

A Guide for Personal Conduct

There's a big IF here. If John Doe wants to know how to maximize the general well-being, the economist can tell him which rules to follow. But this might not be the only question we are asking. What John Doe may want to know is, "How can I make a million with no sweat?" Of course he has a stake in a prosperous society because he knows that it will be easier for him to make a million in a rich society than in a poor one, but his interest in the rules for national prosperity are secondary to his interest in lining his own pocket. He may understand the case for the free market, but nevertheless decide that he can do better for himself by getting in on a racket.

Economic science can prescribe for general prosperity, but it cannot tell John Doe that he ought to obey that prescription. That job can be performed, if at all, by the moralist. The problem here is to bridge the gap between the economist's prescription for national prosperity and John Doe's adoption of that prescription as a

guide for his personal conduct. Only a sense of moral obligation — and not additional economic arguments — can persuade John to close this gap.

Enter the moralist. Economics is a science of means. It abstains from judgments of value and does not tell John Doe what ends he should aim at. If you want to persuade John Doe to follow the rules of economics for maximizing prosperity you must argue that he has a moral obligation to conform his actions to certain norms already established in his society by the traditional ethical code. He should deal justly and fairly with his fellows, he should injure no man, he should not steal, and so on. Practice the ethical code and the rules for national prosperity can be taken in stride; but in the absence of an ethical code which John Doe tries to live up to, there's no reason for any of us to feel any moral obligation for national prosperity when our own enrichment is a much more immediate concern.

Ethical Considerations

If we want a free market and a free society, we need a genuine ethic. This genuine ethic is available to us in the traditional moral code of our culture, which extols justice, forbids murder, theft, and covetousness, and culminates in

love for God and neighbor. This is old stuff, you say; true, but it's good stuff!

The market is not something which comes out of nothing. It emerges naturally whenever the conditions are right, and those right conditions provide a framework for the market to keep it functioning smoothly. In other words, there is a realm of life outside the realm of economic calculation, on which the market depends. Let me cite Ludwig Mises again, when he speaks of beauty, health, and honor, calling them moral goods. He writes: "For all such moral goods are goods of the first order. We can value them directly; and therefore have no difficulty in taking them into account, even though they lie outside the sphere of monetary computation."⁴ In other words, the market is generated and sustained within a larger framework consisting of, among other things, the proper ethical ingredients. There are also political and legal elements in this framework, and a theological dimension as well.

Scarcity of Resources

As well as being a science of means, economics is also a science of scarcity. Goods which are not scarce, such as air, are not economic goods. Economics deals with

things which are in short supply, relative to human demands for them. Our situation on this planet is an unbalanced equation with man and his wants on one side, and the world of raw materials on the other. The human being is a creature of insatiable wants, needs, and desires; but he is placed in an environment where the means of satisfying those wants, needs, and desires are scarce. Unlimited wants on one side of the equation; limited means for satisfying them on the other.

Now, of course, it is true that no man, nor the human race itself, has an unlimited capacity for food, clothing, shelter, or any other item singly or in combination. But human nature is such that if one want is satisfied, the ground is prepared for two others to come forward with their demands. A condition of wantlessness is inconceivable, short of death itself. Even if a condition of repletion and satiety can be imagined, this condition itself begets a want—the desire to be left alone for rest and relaxation. Rest and leisure, however, are breeding grounds for a renewed set of wants and demands.

This creature who demands more, whose wants are insatiable, is placed in an environment where there is not, and can never be, enough. Almost everything is

⁴ *Socialism*, page 116.

scarce. In the first place, the planet is crowded; there is not enough elbow room in the pleasant places of the earth to accommodate everyone with as much *Lebensraum* as he would like. Second, resources, the raw material which we must by our labor transform into consumable goods, are limited in quantity. Third, our individual supply of energy is limited; we get tired, and so we have to economize our strength with labor-saving devices. Fourth, time is always running out on us, and time is valuable. Finally, the planet's physical energy is scarce, nor will the common use of atomic power alter this fact; not even an atomic reactor is a perpetual motion machine.

An Eternal Problem

What does this all mean? The upshot of all this is that the economic equation will never come out right. It's insoluble. There's no way of taking a creature with unlimited wants and satisfying him by any organization or reorganization of limited resources. Something's got to give.

Economics is the science of scarcity, but the scarcity we are talking about in this context is a relative thing. Whenever we drive in city traffic, or look vainly for a place to park, we are hardly in a mood to accept the economic

truism that automobiles are scarce. But of course they are, relative to our wants. Who would not want to replace his present car or cars with a Rolls Royce for Sundays and holidays, plus an Aston Martin for running around?

These simple facts make hash of the oft-repeated remark that "we have solved the problem of production, and now if we could just distribute our abundance more equitably—which of course is a problem that only government can solve . . .," and so on. Economic production does involve engineering and technology, in that men, money, and machines are linked to turn out airplanes, or automobiles, or tractors, or typewriters, or what not. But resources are limited, and the men, money, and machines we employ to turn out airplanes are not available for the production of automobiles, or tractors, or anything else. The dollar you spend for a package of cigars is no longer available to buy a movie ticket. With the resources available to us we might produce a number of different commodities, but obviously we could not produce as much of every commodity as everyone would want. The problem of deciding to use our resources to produce the gizmo rather than the thing-a-ma-jig is an entrepreneurial decision, but no matter who makes the decision,

something has to be sacrificed when we commit our resources to one thing rather than to the other possibilities.

Similarly with John Kenneth Galbraith and his Affluent Society. We do have an economic abundance that would astonish Adam Smith, but this merely confirms the free market economics that Smith expounded. There is not, as Galbraith claims, a new economics of abundance which outmodes the old economics of scarcity, for however abundant commodities become they will still be scarce relative to human wants and desires.

No Short-Cut Solutions

The economic equation can never be solved; to the end of time there will be scarce goods and unfulfilled wants. There will never be a moment when everyone will have all he wants. "Economics," in the words of Wilhelm Roepke, "should be an anti-ideological, anti-utopian, disillusioning science,"⁵ and indeed it is. The candid economist is a man who comes before his fellows with the bad news that the human race will never have enough. Organize and reorganize society from now till doomsday and we'll still be trying to cope with scarcity. But the modern mind takes the dogma of inevitable progress for granted. Most of our contempo-

raries assume that day by day, in every way, we are getting better and better, until some day the human race will achieve perfection. The modern mind is passionately utopian, confident that some piece of social machinery, some ideological gadgetry, is about to solve the human equation. Minds fixed in such a cast of thought, minds with this outlook on life, are utterly immune to the truths of economics. The conclusions of economics, in their full significance, are incompatible with the facile notions of automatic human progress which are part of the mental baggage of modern man.

There is genuine progress in certain limited areas of our experience. This year's color television set certainly gives a better picture than the first set you bought in, say, 1950. The jet planes of today deliver you more rapidly and in better shape than did the old prop jobs. Automobiles have improved, we have more conveniences around the house, we are better equipped against illness. There has been true progress in certain branches of science, technology, and mechanics. But are the television programs improving year by year? Are the novels of this year so much better than the novels of last year, and last century? Are the playwrights whose offerings we have seen on Broad-

⁵ *The Humane Economy*, page 150.

way this season *that* much better than Shakespeare? Has the contemporary outpouring of poetry rendered Homer, Dante, Keats, and Browning obsolete? Is the latest book on the "new morality" superior to Aristotle's *Ethics*? Are the prevailing economic doctrines of 1966, reflecting the Samuelson text, sounder than those of a generation ago, nourished on Fairchild, Furness, and Buck? Are today's prevailing political doctrines sounder than those which elected a Grover Cleveland? Henry Adams in his *Education* remarked that the succession of presidents from Washington, Adams, and Jefferson down to Ulysses Grant was enough to disprove the theory of progressive evolution! What would he say if he were able to observe the recent past?

The dogma of inevitable progress does not hold water. Perfect anthills and beehives are within the realm of possibility; but a perfect human society, never! Man is the kind of a creature for whom complete fulfillment is not possible within history; unlike other organisms, he has a destiny in eternity which takes him beyond biological and social life. This is the world outlook of serious religion, and the conclusions of economics are just what a person of this cast of mind would expect. Economic truths are as acceptable

to this world view as they are unacceptable to the world view premised on automatic progress into an earthly paradise. If there is another dimension of being which transcends the natural order — which is comprised of the things we can see and touch, weigh and measure — and if man is truly a creature of both orders and at home in both, then he has an excellent chance of establishing his priorities in the right sequence. He will not put impossible demands on the economic order, nor will he strive for perfection in the political order. He'll leave heaven where it belongs, beyond the grave! Let us strive for a more moderate goal, a tolerable society, and we may make it!

The Need for Government

Man is the kind of a creature who seeks to economize scarce goods, and so he invents labor-saving devices. The primordial labor-saving device is the market, which enables men to freely exchange the results of their specialization for items they prefer. In a typical economic transaction you walk into a bookstore and stumble upon a volume which you need to complete a set; it is in good condition and the price of \$2.00 is right, so you buy it. You are delighted to exchange your two dollars for the book, and the pro-

prietor who had been anxious to sell it is happy to have your money. Satisfaction on both sides of this exchange have been enhanced.

But there are other kinds of action in society where goods and services are not exchanged for goods and services to the benefit of both parties; there is theft, and predation, and violence. The same human drives which issue in economic action, namely, the need to economize on scarce means, might drive a man into theft for, as has been observed: robbery is the first labor-saving device. There is only one way by which wealth comes into being, and that is by production; but there are two ways by which wealth may be acquired: first, by producing it, and second, by helping yourself to the fruits of someone else's production.

Contingencies of this sort in society create a demand for the protection of the peaceful and productive activities of men, that is to say, for government. The market is simply a name for the peaceful and voluntary exchanges of goods and services occurring constantly between people who trade the results of their specializations. It is the organization of peaceful means. Policing, by contrast, is the regulated use of force against peacebreakers for the protection

of peaceful people; it is the organization of coercive means. When a policeman overtakes a thief and forces him to disgorge the items he has stolen, he may use something stronger than persuasion; he may use a club or a gun. In any event, the policing transaction, in contrast to an economic exchange, does not enhance the general level of well-being of both parties to the exchange. Policing, in other words, cannot be organized as a market transaction; although policing costs money, it is not within the domain of economics.

Carry the argument through one more stage: Two men differ in wealth today because their market place offerings of goods and services yesterday and the day before met with varying receptions. Because the buying public appreciates the man who sings like a Beatle more than the man who philosophizes like a Socrates, the former is rich, the latter poor — relatively speaking. The former buys three Cadillacs while the latter must content himself with a 1958 Chevrolet. When we understand the reasons for wealth differentials of this sort, we realize that such disparities are in the nature of things. Our sense of justice and fair play is not offended, however much our good taste may suffer.

But if the singer commits a

crime and, because of his wealth, is able to buy himself out of *jeopardy, we know in our bones* that an additional evil has compounded the original crime. Legal justice is not a marketable commodity; justice which becomes an item of merchandise ceases to be justice. Justice is not for sale, and the market cannot allocate things which — by their very nature — are not salable. It is right that people acting voluntarily in the market place should decide that one man be given three times as many cars as another; but any voluntary action which metes out to one man only a third as much justice as it accords to another is on the order of mob rule, lynch law, violence, and moral evil.

Earmarks of Good Law

Things human tend to get out of hand, and government is the prime example of this tendency. Time and again throughout history, government has become a cancer-like growth detrimental to social health and individual well-being. Seeking to curb this tendency, those in the old-fashioned Whig and Classical Liberal tradition laid down the earmarks of good law. They may be briefly summarized. In the first place, a good law makes no pretensions to perfection. No human laws are, in fact, perfect, and the attempts of

some to apply their "perfect" laws to imperfect human beings have *been disastrous*. A good law will take human shortcomings into account; it will reflect our limited understanding and sinful nature.

In the second place, a good law will be written so as to correspond to what the eighteenth century referred to as the Higher Law. A good law, in other words, will not violate our ethical code; it will not supplant morality with mere legality.

Generality is a feature of a good law. Everyone should be equal before the bar of justice, and so a good law is one which applies to all men alike and without exception. Men are different in several important ways; some are bright and some dull; some are rich, others are poor. There are differences of nationality, color, and religion; there are employers and employees, and so on. These are important distinctions and classifications — but not to the law! The law should be blind to such differences, and any law which is general, applying to one man as to all, cannot have much wrong with it.

Besides being imperfect, moral, and general, a good law is conditional; it has an "iffy" quality about it. It says, *if* you steal, or *if* you defraud, or *if* you drive on the left side of the road, you will be punished. A good law takes the

side of the negative, saying "Don't," or "Thou shalt not." This means that it is theoretically possible for a man to negotiate life without encountering the law, provided he sticks to the positive. The fifth and final point in this abbreviated list is something like the first; a good law reflects the customs and habits of a people — otherwise it is an attempt to reform them by law, and reformist law is bad law.

Economics is a discipline in its own right but, as I have tried to

show, it has some larger meanings and implications. Its nature demands a political and social framework, comprising religious, ethical, and legal ingredients. Establish these necessary conditions and, within this framework, the economic activities of men are self-starting, self-operating, and self-regulating. Given the proper framework, the economy does not have to be *made* to work; it works itself, and it pays dividends in the form of a good society. ♦

IDEAS ON LIBERTY

Consumerism vs. Communism

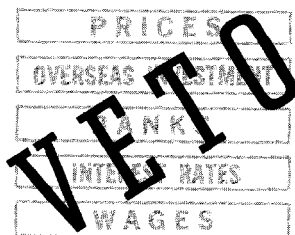
FROM THE STANDPOINT of resource allocation, the decisions about what to produce and how to produce in the communist countries are made by the dictators at the top. In our economy, the consumers, through the market mechanism, effectively decide how society's resources are to be used and direct their use in the desired directions.

Because our economic system is consumer-directed, clergymen and other religious, moral, and intellectual leaders have an extremely important role in our society. They assist the consumer in reaching judgments about basic standards and values—and these judgments can guide him in the exercise of his economic and political freedom.

Under communism, the influence of religious and moral leaders on the way society uses its resources is severely limited, because only the top planners determine how society's resources are to be used. The average man is forced to serve the state and is not free to make effective judgments about either his work or the goods and services he consumes.

DR. HAROLD C. PASSER, economist for Eastman Kodak,
from an address before the Clergy Professional
Association of Schenectady, N. Y., January 17, 1966.

THE GOVERNMENT



SYSTEM

LAWRENCE FERTIG

JUST WHEN the Soviets admit the virtues of the free market economy by trying to imitate some phases of it, our drive in the United States is perceptibly in the other direction—toward more government intervention in the market. Just when the Soviet leaders are making sheep's eyes at the market economy because they can see that direction by bureaucracy is no substitute for the flexibility of the free market—the United States substitutes government fiat for market forces in a number of vital areas.

This basic change has been taking place in the American free-enterprise system practically unopposed by the American public

or by important business interests.

The new system cannot be called government control because it has not gone quite that far. A fair characterization of this new arrangement would be to call it *the Government Veto System*. The basis of the Government Veto System is direct action by the Administration to veto prices which it does not like in major markets in the economy. To be sure, this veto has been employed to date only in the case of "key" prices, but it has been proven time and again in the history of various countries that controls tend to breed still more controls. The objective which the controllers hope to achieve always proves elusive, whether it be in the control of commodity prices or of money. When the controllers are disappointed, their tendency is to

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

blame lack of success on an insufficiency of power. So they ask for more controls and more power.

The Veto Power in Practice

There are five main areas where the United States government has used extra-legal pressure in an attempt to control the economy by the veto system.

First, there is an attempt to control prices for major products — especially steel. At various times the prices of steel, copper, molybdenum, and other products were rolled back after the government exerted pressure on the producing companies.

In regard to steel, President Johnson so far has officially not employed the strong-arm methods adopted by President Kennedy. He has not openly berated the steel companies, nor sent representatives of the Attorney General's office to the heads of steel companies before dawn to interrogate them. Nevertheless, his influence on steel prices has been powerful. It was only in August this year, after the wage price guidelines had been flouted repeatedly by various unions — especially by the airline mechanics — that the steel companies were able to achieve a slight increase in price for about a third of their production. This long delay occurred despite the fact that the

government's own index of steel prices, prepared by the Federal Bureau of Labor Statistics, showed no increase from the end of 1958 to July this year. (The Index stood at approximately 102.3 in both periods.)

The veto system also operates against American corporations in their dealing with foreign countries. Pressure is brought against corporations to limit their investments in overseas operations. This is called "voluntary" control, although it is obvious that government coercion is behind it. Administration officials look over the shoulders of officers of major corporations and make the decision as to how much they shall invest abroad.

The veto system also applies to banks. They are restrained in the total which they can lend to borrowers in foreign countries. The declared purpose of this curtailment of dollar outflow is to aid the U.S. in retaining its gold stock and to improve the deficit in the U.S. balance-of-payments to foreign countries. But the gold outflow and the balance-of-payments deficit are due to entirely different causes. They are due to the government's monetary and fiscal policy. Nevertheless, in seeking to correct the problem, government officials clamp down on banks and corporations.

The price of borrowing money (interest rates) is another area where the Federal government veto system tries to operate. For a time it was successful in preventing privately-owned banks from assessing the grass roots market and raising prime interest rates. But inflation, caused by government deficits and easy-credit policies, was so strong that interest rates continued to rise until they reached the highest level in a generation. Month by month, Treasury officials exerted pressure on the banks to prevent a free market price for hiring of money.

Thus there exists a very effective veto, although it is completely extra-legal and is effective only because of the coercive power of government.

The Strike-Back

Congress has passed no law giving the President power to control any of these prices or policies. Nevertheless the power of the Executive Office is so great that no industry and no business can flout the government without fear of reprisal. Every businessman knows what this reprisal means. The Attorney General's office can use its power on antitrust matters. The Federal Bureau of Investigation can make special investigations. The Defense Department can withhold contracts. There are

many, many ways in which the government can act to bring recalcitrants into line.

In the area of wages, as well as prices, the Federal government has tried to exercise veto power. The President's economic advisers laid down "guideposts" for wage rises. Until the airline mechanics strike the rule was that no wage rise should exceed 3.2 per cent. This figure is reported to be the average annual productivity gain of American industry in the last five years. Everyone knows that control over wages has been honored more in the breach than in the observance. In the case of major industries (automobile, construction, electrical, dock workers, and others) government officials have collaborated in violating their own guideposts.

After settlement of the airline mechanics strike, P. L. Siemiller, President of the International Association of Machinists, proudly said the settlement "destroys all existing wage and price guidelines now in existence." Government veto on wage rises has been far less effective than on prices. But it continues to be a stated government policy.

Why has the government moved in the direction of intervention in the market instead of letting supply and demand set prices? Why has it substituted decisions by

some economists or some bureaucrats for the free forces of the market which have operated so successfully in the American economy?

Embarrassing Inflation

The answer is quite plain. Government inflationary monetary policy plus Federal deficits have so vastly increased potential demand that the Administration is embarrassed to let the law of supply and demand work naturally.

As a result of government policies, the money supply (demand deposits plus currency) increased at a phenomenal rate in the last two years. This increase in the quantity of newly-created money sought to express itself in every way possible. This unprecedented increase in bank deposits and currency exerted upward pressure on prices in one market or another.

When the effects of this inflationary policy became evident to the public and prices began to rise steeply, officials became alarmed and decided to step in. Thus the government tries to substitute its command (veto over prices) for the answers which would be given by the operation of the free market. The result of such a policy is an unhealthy *repressed* inflation.

In trying to replace the price system even partially by government fiat, appeals are always made

to "social responsibility." Every businessman and every labor union leader is supposed to wear two hats. In deciding what is in the best interests of his company or his group he wears one hat. When he goes into a deep study to decide, if he can, what is in the public interest, he must wear another hat. But how to determine precisely what is in "the public interest" and where "social responsibility" lies is impossible for anyone to judge. Every individual knows precisely what is *in his own interest*, and the competitive free market economy decides for him whether he can gain his objective. But how can he become a seer and judge whether his action is in the interest of 190 million people every time he makes a decision? The attempt to force people to act "in the public interest" instead of their own is merely an attempt by bureaucrats in government to impose their own judgments on the economy.

"Social Responsibility"

At this point I would like to borrow from Professor Milton Friedman, who has made so many solid contributions to the free market philosophy. In a talk he made to the Institute for Religious and Social Studies he discussed the subject of social responsibility and made some acute observations.

Here is what he said:

Almost without exception, appeals to "social responsibility" arise because of an unwillingness to let the price system work. They constitute an attempt to replace the price system by some alternative device. But no one has yet invented or discovered a device that can do the job which the price system does: of coordinating the activities of countless millions of people impersonally and without any need for central control; of providing a mechanism that simultaneously transmits information about changing demand and availabilities, gives economic agents an incentive to act appropriately in response to the information transmitted, and adjusts consumption to available supplies in the short run of rationing the supplies while simultaneously providing for adjusting production to consumption in the long run. The attempts to use alternative devices have been numerous and often on a very large scale — witness legal price control in the United States during wartime or central economic planning in Russia. In all cases, they have been largely unsuccessful, and the price system, albeit with large scale distortions introduced into the signals on which it operates, has remained a major means for organizing economic activity.

Because the price system works impersonally, automatically, and quietly, because it has no press agents, there is a tendency when it

works well to take it for granted and for the non-economist hardly to recognize that it is performing a function. It is natural for him to think he can manipulate prices without any serious consequences; but he invariably finds when he does so that he has mounted the tiger, and he is driven to an ever-widening range of measures because of the difficulty of dismounting. Our agricultural price support program, no less than legal price-control and the voluntary restraint programs, are all striking examples.

Our Image Abroad

In pursuing this policy of Federal vetoes on important prices, the United States government has unfortunately had to turn its back on its own international policies and preachments. The U.S. State Department has advised foreign nations repeatedly against exchange controls, against impediments to the free flow of goods and money across national boundary lines. It has admonished many countries — in South America particularly — to avoid inflationary policies which would inevitably lead to restrictive price-wage policies and exchange controls. But it is now evident that when the United States faced inflationary pressures due to its own policies, it did not subscribe to the advice it gave other nations. Instead of relying upon monetary discipline,

balanced budgets, and the free market, the United States adopted a policy of controls in many vital areas.

For the sake of achieving doubtful, ephemeral benefits, the U.S. government seriously weakened

its economic and financial leadership of the noncommunist world, which is essential for the defense of the West against totalitarianism. Only by a return to the principles of the free market can this country re-assert that leadership.



IN CASE OF

DIFFERENCE

EDWARD A. LEWIS

I'VE NEVER HAD a sudden burst of illumination which revealed The Truth to me completely, once and for all. But after consulting many contributions made to the world's store of knowledge and wisdom by more gifted minds than mine, I have tried to figure out some fun-

damental and correlative truths in certain areas, with the result that I have embraced a set of convictions which I call my own. I have sought to eliminate error, insofar as possible, by ironing the inconsistencies out of my beliefs and squaring them with the facts. For I conceive that truthfulness consists in two sorts of relation-

Mr. Lewis is a retired minister living in Durham, New Hampshire.

ships: internally, my beliefs should harmonize one with the other; and externally, my beliefs should harmonize with the relevant portions of reality. Any bundle of propositions which meets these tests may join the set of convictions which I have made mine, and this is equivalent to saying that I reject as error whatever I regard as contrary to my convictions. All of which seems simple and self-evident.

Every so often I get into a discussion on various matters and naturally I advance arguments on behalf of my convictions. The critical rejoinder is sometimes made, "You think that everybody who disagrees with *you* is wrong." But, of course! Why shouldn't I? This is a gross and innocuous *ad hominem*. If I thought that adverse views were right, I would endorse them! But if I believe that the earth is round, how can I hold to my belief without deeming to be in error "everybody" who contends that it is flat?

In argument, I expect any sincere opponent, initially, to think that I am wrong.

With respect to issues upon which one has no firm conviction, he may say, "I feel this way about

the matter; but those who have views to the contrary, may be right." But when one has reached a careful and considered judgment in a matter, it is only logical that he should think conclusions to the contrary to be wrong. I believe that 2 and 2 make 4. If anyone would say that 2 and 2 make 3, or 7, he would be in disagreement with me, and I would think that he is wrong. There are certain other matters about which, after careful thought and study, I have come to hold equally strong convictions. Should I be considered some kind of miscreant or malefactor for thinking those who disagree with me are wrong?

A person who thinks that those who disagree with him upon a certain matter are wrong, is a person of strong convictions. In his conclusions, he may be right or he may be wrong. If I can show that his conclusions are based upon false premises or result from faulty reasoning, I may undertake to do so. But I shall not condemn or censure him for holding to his honest convictions. And I shall not criticize him for thinking that everybody who disagrees with him is wrong. ♦

The ROOTS of WAR... AYN RAND

IT IS SAID that nuclear weapons have made wars too horrible to contemplate. Yet every nation on earth feels, in helpless terror, that such a war might come.

The overwhelming majority of mankind — the people who die on the battlefields or starve and perish among the ruins — do not want war. They never wanted it. Yet wars have kept erupting throughout the centuries, like a long trail of blood underscoring mankind's history.

Men are afraid that war might come because they know, consciously or subconsciously, that they have never rejected the doctrine which causes wars, which has caused the wars of the past and can do it again — the doctrine that it is right or practical or necessary for men to achieve their goals by means of *physical force* (by *initiating* the use of force

against other men) and that some sort of "good" can justify it. It is the doctrine that force is a proper or unavoidable part of human existence and human societies.

Observe one of the ugliest characteristics of today's world: the mixture of frantic war preparations with hysterical peace propaganda, and the fact that *both come from the same source* — from the same political philosophy. The bankrupt, yet still dominant, political philosophy of our age is *statism*.

Observe the nature of today's alleged peace movements. Professing love and concern for the survival of mankind, they keep screaming that the nuclear-weapons race should be stopped, that armed force should be abolished as a means of settling disputes among nations, and that war should be outlawed in the name of humanity. Yet these same peace movements do not oppose dictatorships; the political views of their

members range through all shades of the statist spectrum, from welfare statism to socialism to fascism to communism. This means that they are opposed to the use of coercion by one nation against another, but not by the government of a nation against its own citizens; it means that they are opposed to the use of force against *armed* adversaries, but not against the *disarmed*.

Consider the plunder, the destruction, the starvation, the brutality, the slave-labor camps, the torture chambers, the wholesale slaughter perpetrated by dictatorships. Yet *this* is what today's alleged peace-lovers are willing to advocate or tolerate—in the name of love for humanity.

It is obvious that the ideological root of statism (or collectivism) is the *tribal premise* of primordial savages who, unable to conceive of individual rights, believed that the tribe is a supreme, omnipotent ruler, that it owns the lives of its members and may sacrifice them whenever it pleases to whatever it deems to be its own "good." Unable to conceive of any social principles, save the rule of brute force, they believed that the tribe's wishes are limited only by its physical power and that other tribes are its natural prey, to be conquered, looted, enslaved or annihilated. The history of all primi-

tive peoples in a succession of tribal wars and intertribal slaughter. That this savage ideology now rules nations armed with nuclear weapons, should give pause to anyone concerned with mankind's survival.

Statism is a system of institutionalized violence and perpetual civil war. It leaves men no choice but to fight to seize political power—to rob or be robbed, to kill or be killed. When brute force is the only criterion of social conduct, and unresisting surrender to destruction is the only alternative, even the lowest of men, even an animal—even a cornered rat—will fight. There can be no peace within an enslaved nation.

The bloodiest conflicts of history were not wars between nations, but *civil wars* between men of the same nation, who could find no peaceful recourse to law, principle or justice. Observe that the history of all absolute states is punctuated by bloody uprisings—by violent eruptions of blind despair, without ideology, program or goals—which were usually put down by ruthless extermination.

In a full dictatorship, statism's chronic "cold" civil war takes the form of bloody purges, when one gang deposes another—as in Nazi Germany or Soviet Russia. In a mixed economy, it takes the form

of pressure-group warfare, each group fighting for legislation to extort its own advantages by force from all other groups.

The degree of statism in a country's political system, is the degree to which it breaks up the country into rival gangs and sets men against one another. When individual rights are abrogated, there is no way to determine who is entitled to what; there is no way to determine the justice of anyone's claims, desires or interests. The criterion, therefore, reverts to the tribal concept of: one's wishes are limited only by the power of one's gang. In order to survive under such a system, men have no choice but to fear, hate and destroy one another; it is a system of underground plotting, of secret conspiracies, of deals, favors, betrayals and sudden, bloody coups.

It is not a system conducive to brotherhood, security, cooperation and peace.

Statism—in fact and in principle—is nothing more than gang rule. A dictatorship is a gang devoted to looting the effort of the productive citizens of its own country. When a statist ruler exhausts his own country's economy, he attacks his neighbors. It is his only means of postponing internal collapse and prolonging his rule. A country that violates the rights

of its own citizens, will not respect the rights of its neighbors. Those who do not recognize individual rights, will not recognize the rights of nations: a nation is only a number of individuals.

Statism *needs* war; a free country does not. Statism survives by looting; a free country survives by production.

Observe that the major wars of history were started by the more controlled economies of the time against the freer ones. For instance, World War I was started by monarchist Germany and Czarist Russia, who dragged in their freer allies. World War II was started by the alliance of Nazi Germany with Soviet Russia and their joint attack on Poland.

Observe that in World War II, both Germany and Russia seized and dismantled entire factories in conquered countries, to ship them home—while the freest of the mixed economies, the semi-capitalistic United States, sent billions worth of lend-lease equipment, including entire factories, to its allies. (For a detailed, documented account of the full extent of Russia's looting, see *East Minus West = Zero* by Werner Keller, New York: G. P. Putnam's Sons, 1962.)

Germany and Russia needed war; the United States did not

and gained nothing. (In fact, the United States lost, economically, even though it won the war: it was left with an enormous national debt, augmented by the grotesquely futile policy of supporting former allies and enemies to this day.) Yet it is capitalism that today's peace-lovers oppose and statism that they advocate—in the name of peace.

Laissez-faire capitalism is the only social system based on the recognition of individual rights and, therefore, the only system that bans force from social relationships. By the nature of its basic principles and interests, it is the only system fundamentally opposed to war.

Men who are free to produce, have no incentive to loot; they have nothing to gain from war and a great deal to lose. Ideologically, the principle of individual rights does not permit a man to seek his own livelihood at the point of a gun, inside or outside his country. Economically, wars cost money; in a free economy, where wealth is privately owned, the costs of war come out of the income of private citizens—there is no overblown public treasury to hide that fact—and a citizen cannot hope to recoup his own financial losses (such as taxes or business dislocations or property de-

struction) by winning the war. Thus his own economic interests are on the side of peace.

In a statist economy, where wealth is “publicly owned,” a citizen has no economic interests to protect by preserving peace—he is only a drop in the common bucket—while war gives him the (fallacious) hope of larger handouts from his masters. Ideologically, he is trained to regard men as sacrificial animals; he is one himself; he can have no concept of why foreigners should not be sacrificed on the same public altar for the benefit of the same state.

The trader and the warrior have been fundamental antagonists throughout history. Trade does not flourish on battlefields, factories do not produce under bombardments, profits do not grow on rubble. Capitalism is a society of *traders*—for which it has been denounced by every would-be gunman who regards trade as “selfish” and conquest as “noble.”

Let those who are actually concerned with peace observe that *capitalism gave mankind the longest period of peace in history*—a period during which there were no wars involving the entire civilized world—from the end of the Napoleonic wars in 1815 to the outbreak of World War I in 1914.

It must be remembered that the political systems of the 19th cen-

tury were not pure capitalism, but mixed economies. The element of freedom, however, was dominant; it was as close to a century of capitalism as mankind has come. But the element of statism kept growing throughout the 19th century, and by the time it blasted the world in 1914, the governments involved were dominated by statist policies.

Just as, in domestic affairs, all the evils caused by statism and government controls were blamed on capitalism and the free market — so, in foreign affairs, all the evils of statist policies were blamed on and ascribed to capitalism. Such myths as “capitalistic imperialism,” “war profiteering” or the notion that capitalism has to win “markets” by military conquest are examples of the superficiality or the unscrupulousness of statist commentators and historians.

The essence of capitalism's foreign policy is *free trade* — i.e., the abolition of trade barriers, of protective tariffs, of special privileges — the opening of the world's trade routes to free international exchange and competition among the private citizens of all countries dealing directly with one another. During the 19th century, it was free trade that liberated the world, undercutting and wrecking the remnants of feudalism and the

statist tyranny of absolute monarchies.

“As with Rome, the world accepted the British empire because it opened world channels of energy for commerce in general. Though repressive (status) government was still imposed to a considerable degree on Ireland with very bad results, on the whole England's invisible exports were law and free trade. Practically speaking, while England ruled the seas any man of any nation could go anywhere, taking his goods and money with him, in safety.” (*The God of the Machine*, by Isabel Paterson, Caldwell, Idaho: Caxton Printers, 1964, p. 121. Originally published by G. P. Putnam's Sons, New York, 1943.)

As in the case of Rome, when the repressive element of England's mixed economy grew to become her dominant policy and turned her to statism, her empire fell apart. It was not military force that had held it together.

Capitalism wins and holds its markets by free competition, at home and abroad. A market conquered by war can be of value (temporarily) only to those advocates of a mixed economy who seek to close it to international competition, impose restrictive regulations and thus acquire special privileges by force. The same

type of businessmen who sought special advantages by government action in their own countries, sought special markets by government action abroad. At whose expense? At the expense of the overwhelming majority of businessmen who paid the taxes for such ventures, but gained nothing. Who justified such policies and sold them to the public? The statist intellectuals who manufactured such doctrines as "the public interest" or "national prestige" or "manifest destiny."

The actual war profiteers of all mixed economies were and are of that type: men with political pull who acquire fortunes by government favor, during or after a war — *fortunes which they could not have acquired on a free market.*

Remember that private citizens — whether rich or poor, whether businessmen or workers — have no power to start a war. That power is the exclusive prerogative of a government. Which type of government is more likely to plunge a country into war: a government of limited powers, bound by constitutional restriction — or an unlimited government, open to the pressure of any group with warlike interests or ideologies, a government able to command armies to march at the whim of a single chief executive?

Yet it is not a limited govern-

ment that today's peace-lovers are advocating.

(Needless to say, unilateral pacifism is merely an invitation to aggression. Just as an individual has the right of self-defense, so has a free country if attacked. But this does not give its government the right to draft men into military service — which is the most blatantly statist violation of a man's right to his own life. There is no contradiction between the moral and the practical: a volunteer army is the most efficient army, as many military authorities have testified. A free country has never lacked volunteers when attacked by a foreign aggressor. But not many men would volunteer for such ventures as Korea or Vietnam. Without drafted armies, the foreign policies of statist or mixed economies would not be possible.)

So long as a country is even semi-free, its mixed-economy profiteers are not the source of its warlike influences or policies, and are not the primary cause of its involvement in war. They are merely political scavengers cashing-in on a public trend. The primary cause of that trend is the mixed-economy intellectuals.

Observe the link between statism and militarism in the intellectual history of the 19th and

20th centuries. Just as the destruction of capitalism and the rise of the totalitarian state were not caused by business or labor or any economic interests, but by the dominant statist ideology of the intellectuals—so the resurgence of the doctrine of military conquest and armed crusades for political “ideals” were the product of the same intellectuals’ belief that “the good” is to be achieved by force.

The rise of a spirit of nationalistic imperialism in the United States did not come from the right, but from the left, not from big-business interests, but from the collectivist reformers who influenced the policies of Theodore Roosevelt and Woodrow Wilson. For a history of these influences, see *The Decline of American Liberalism* by Arthur A. Ekirch, Jr. (New York: Longmans, Green, 1955.)

“In such instances,” writes Professor Ekirch, “as the progressives’ increasing acceptance of compulsory military training and of the white man’s burden, there were obvious reminders of the paternalism of much of their economic reform legislation. Imperialism, according to a recent study of American foreign policy, was a revolt against many of the values of traditional liberalism. ‘The spirit of imperialism was an exalta-

tion of duty above rights, of collective welfare above individual self-interest, the heroic values as opposed to materialism, action instead of logic, the natural impulse rather than the pallid intellect.’” (p. 189. Quoted from R. E. Osgood, *Ideals and Self-Interest in America’s Foreign Relations*, Chicago: University of Chicago Press, 1953, p. 47.)

In regard to Woodrow Wilson, Professor Ekirch writes: “Wilson no doubt would have preferred the growth of United States foreign trade to come about as a result of free international competition, but he found it easy with his ideas of moralism and duty to rationalize direct American intervention as a means of safeguarding the national interest.” (p. 199.) And: “He seemed to feel that the United States had a mission to spread its institutions—which he conceived as liberal and democratic—to the more benighted areas of the world.” (p. 199.) It was not the advocates of capitalism who helped Wilson to whip up a reluctant, peace-loving nation into the hysteria of a military crusade—it was the “liberal” magazine *The New Republic*. Its editor, Herbert Croly, used such arguments as: “The American nation needs the tonic of a serious moral adventure.”

Just as Wilson, a "liberal" reformer, led the United States into World War I, "to make the world safe for democracy" — so Franklin D. Roosevelt, another "liberal" reformer, led it into World War II, in the name of the "Four Freedoms." In both cases, the "conservatives" — and the big-business interests — were overwhelmingly opposed to war, but were silenced. In the case of World War II, they were smeared as "isolationists," "reactionaries" and "America-First'ers."

World War I led, not to "democracy," but to the creation of three dictatorships: Soviet Russia, Fascist Italy, Nazi Germany. World War II led, not to "Four Freedoms," but to the surrender of one-third of the world's population into communist slavery.

If peace were the goal of today's intellectuals, a failure of that magnitude — and the evidence of unspeakable suffering on so large a scale — would make them pause and check their statist premises. Instead, blind to everything but their hatred for capitalism, they are now asserting that "poverty breeds wars" (and justifying war by sympathizing with a "material greed" of that kind). But the question is: *what breeds poverty?* If you look at the world of today and if you look back at history,

you will see the answer: the degree of a country's freedom is the degree of its prosperity.

Another current catch phrase is the complaint that the nations of the world are divided into the "haves" and the "have-nots." Observe that the "haves" are those who have freedom, and that it is freedom that the "have-nots" have not.

If men want to oppose war, it is *statism* that they must oppose. So long as they hold the tribal notion that the individual is sacrificial fodder for the collective, that some men have the right to rule others by force, and that some (any) alleged "good" can justify it — there can be no peace *within* a nation and no peace among nations.

It is true that nuclear weapons have made wars too horrible to contemplate. But it makes no difference to a man whether he is killed by a nuclear bomb or a dynamite bomb or an old-fashioned club. Nor does the number of other victims or the scale of the destruction make any difference to him. And there is something obscene in the attitude of those who regard horror as a matter of numbers, who are willing to send a small group of youths to die for the tribe, but scream against the danger to the tribe itself — and more: who are willing to condone the slaughter of defenseless vic-

tims, but march in protest against wars between the well-armed.

So long as men are subjugated by force, they will fight back and use any weapons available. If a man is led to a Nazi gas chamber or a Soviet firing squad, with no voices raised to defend him, would he feel any love or concern for the survival of mankind? Or would he be more justified in feeling that a cannibalistic mankind, which tolerates dictatorships, does not deserve to survive?

If nuclear weapons are a dreadful threat and mankind cannot

afford war any longer, then *mankind cannot afford statism any longer*. Let no man of good will take it upon his conscience to advocate the rule of force — outside or *inside* his own country. Let all those who are actually concerned with peace — those who do love *man* and do care about his survival — realize that if war is ever to be outlawed, it is *the use of force* that has to be outlawed. ♦

Reprints of this article are available from Nathaniel Branden Institute, 120 East 34th Street, New York, New York 10016. Single copy 50 cents; 10 copies, 35 cents each; 25 copies, 25 cents each; 100 copies, 20 cents each.

IDEAS ON LIBERTY

The Politics of Peace

WHAT DISTINGUISHES man from animals is the insight into the advantages that can be derived from cooperation under the division of labor. Man curbs his innate instinct of aggression in order to cooperate with other human beings. The more he wants to improve his material well-being, the more he must expand the system of the division of labor. Concomitantly he must more and more restrict the sphere in which he resorts to military action. The emergence of the international division of labor requires the total abolition of war. Such is the essence of the laissez-faire philosophy of Manchester.

This philosophy is, of course, incompatible with statolatry. In its context the state, the social apparatus of violent oppression, is entrusted with the protection of the smooth operation of the market economy against the onslaughts of antisocial individuals and gangs. Its function is indispensable and beneficial, but it is an ancillary function only. There is no reason to idolize the police power and ascribe to it omnipotence and omniscience. There are things which it can certainly not accomplish. It cannot conjure away the scarcity of the factors of production, it cannot make people more prosperous, it cannot raise the productivity of labor. All it can achieve is to prevent gangsters from frustrating the efforts of those people who are intent upon promoting material well-being.

the LAW of Liberty

KENNETH W. SOLLITT

THE DIFFERENCE between freedom and servitude is the difference between doing what we ought because we choose to and doing what we must because another chooses for us.

Words of wisdom were spoken by the poet who wrote in Psalm 119: "...and I shall walk at liberty, for I have sought thy precepts." (Ps. 119:45).

This pathway to liberty seems strange to many people, for we are fond of the illusion that being bound by precepts, command-

ments, laws, is the opposite of freedom. But freedom is not absence of rules; it is action under a higher law.

The Wright Brothers did not violate the law of gravity when they produced the beginnings of the heavier-than-air flying machine. They simply discovered and used the now familiar laws of aerodynamics. Similarly, lawlessness is not the route to liberty. Liberty in society depends upon the discovery and practice of those higher laws which produce it. For freedom is not mere whim; it is the opportunity to do as one ought without compulsion.

We have other illusions about liberty, too, among them the idea that liberty somehow means a lack of responsibility for our acts. But, as in the natural world, so in the spiritual, we do not break higher laws; we break ourselves upon them. We *are* responsible for our acts — and for our inactivity when we ought to act.

We may entertain the illusion that freedom means relief from the responsibility of making decisions for ourselves, leaving this to somebody in Washington, or the Commanding Officer, or the union bosses, or the industrial association management. But God has created man with a free will. He not only *may* but *must* make decisions for himself. And one of

The Reverend Dr. Sollitt is Pastor of the First Baptist Church, Midland, Michigan.

his first decisions ought to be that of the Psalmist, to seek the precepts of God that he may walk in liberty.

Certain forces are at work in the United States to propagate the illusion that liberty means freedom to demand what you want at the expense of others. I think of this when I remember that today the taxpayer's bill for welfare amounts to \$52.00 for every man, woman, and child in the United States, and Leon Keyserling has recommended that the figure be increased to \$103 by 1970 and \$124 by 1975. To do less, he said, would be "immoral."

But after thirty years of public spending on welfare there are still 34,000,000 "impoverished Americans." Commenting on this, the editor of the Dallas, Texas, *News* asks: "Is it moral to keep these millions dependent on a government handout? Is it moral to rear new generations thinking that someone else will take care of them? Is it moral to ask one man to work and pay taxes so that three others can get relief checks and go fishing?"

We are confused as to the meaning of liberty because we are confused as to what is moral.

In short, we have entertained the illusion that freedom means the right to push other people around, or to elect public officials

who will do it for us. But the right to push people around carries with it the certainty that we ourselves will be pushed around. For it is one of God's laws, as operative in the spiritual, the economic, and the political realms as in the physical, that "for every action there is an equal and opposite reaction." The ball hits the bat with the same force that the bat hits the ball. The striking union assures itself when it strikes that it will be met by a similar force of resistance. This is the reason wars escalate. The use of force creates the opposition that more force is required to overcome.

One hundred and ninety years ago our forefathers sought freedom, not to push anybody around, but freedom to discover and obey the higher law in their own way. The result has been the creation of the greatest nation on earth—the nation whose people have the greatest amount of freedom. America is proof that those who seek the precepts of God's higher law shall walk at liberty.

Unfortunately, she is also proof that a nation or a people gets itself into trouble at every point where it tries to amend the all-embracing higher law to favor the majority, or any minority strong enough to enforce its will upon the rest. We are in trouble wherever the coercion of one

group by another has been allowed, whether the coercion has been racial, economic, social, political, or religious.

The obvious lesson is that in the freest country in the world individuals and groups can still court servitude by resorting to compulsion to attain selfish ends. For force begets an opposing force and conflict is inevitable. And we become imprisoned in the conflict.

There are two ways to think of freedom.

A common way is to think of it as the right NOT to do anything unless and until you have to. But this is an illusion of liberty. The surest way to destroy your liberty along with that of those about you is to refuse to do what you know you ought until you are forced to do so. The student says to the teacher, "I'll be good only if you can make me." The lawbreaker says to the policeman, "I'll obey the law if you can make me." There is no true liberty to be found in shutting oneself inside a prison of necessity and beating one's head against a wall of resistance to doing what one ought.

True liberty is found only by doing what we ought because we *want to* and not because we *have to*. This is the road on which our forefathers started us about two centuries ago—the road from

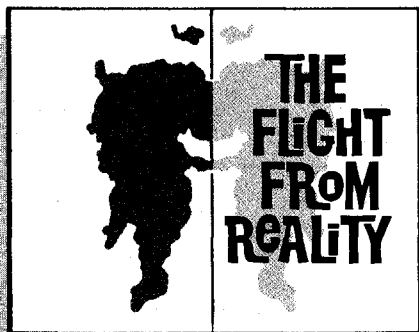
which we have departed time and time again by the imposition of restrictive laws on some and the granting of special privileges to others. Both of these things tend to discourage us from doing what we ought until the law requires it. Then we lose our freedom to do it simply because we want to do the right thing.

So, Americans, if you want to lose still more of your freedoms, just keep on demanding special favors at someone else's expense, and electing politicians who promise them to you.

Joe Louis, when asked why he had not been more active in the Civil Rights movement, said recently, "Some people do it by shooting, some march, some give a lot of money. I do it my way—behaving. All ways help."

We might not all agree that *all ways* help, but we must agree that behaving is one of the better ways. In doing this he *is* helping, not only the Civil Rights movement, but every worthy cause. The former heavyweight champion is doing what he should because he wants to and this is following the law of liberty. Can we learn this way as a people before the America for which our forefathers sacrificed so much has gone the way of the republics of Greece and Rome?





26. CONCLUSION :

The Pen AND The Sword

CLARENCE B. CARSON

IT HAS BEEN SAID that the pen is mightier than the sword. The phrase is poetic; it calls attention to a paradox. Taken literally, the statement is not true, of course. A swordsman pitted against a penman might be expected to make quick work of him. Obviously, the phrase is not meant to evoke the vision of any such contest when it is employed. It is meant, instead, to call attention to the sway of ideas in the affairs of the world, a sway more complete and determinative even than that of the sword.

However this may be, there should be no doubt that the pen and the sword together are invincible. That is the situation which confronts us today. The flight from reality has culminated in the

linking of the pen and the sword. The commander-in-chief of the armed forces of the United States with his brain trust signalizes the union.

The direction in which we are impelled by the combined force of pen and sword should not be in doubt. Earl Browder, former head of the Communist Party of the United States — but unrepentant socialist — has lately described the tendency felicitously:

America is getting socialism on the installment plan through the programs of the welfare state. There is more real socialism in the United States today than there is in the Soviet Union.

Americans may not be willing to vote for a program under the name of "socialism," but put it under another party label — whether liberal Republican or Democrat — and they're by and large in favor of the idea. . . .

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in *THE FREEMAN* were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

We have no real socialist party, no socialist ideology, but we have a large — and growing — degree of what 50 years ago would have been recognized as socialism.¹

Some of Browder's points may be debatable, such as that there is more socialism in America than in the Soviet Union, or that we have no socialist ideology; but his main contention—that the United States has been moving gradually toward socialism—should be beyond dispute. The evidence for this is mountainous. It can be seen in the spreading government intervention in the economy, in the increasing control of the economy, in the numerous welfare programs, and in the amazing array of governmental activities and programs. The question for the historian should be not whether we have been moving toward what was once billed as socialism but rather how has this development come about. In the absence of a victorious Socialist Party, without political leaders who profess the socialist ideology, in a situation in which most of the populace has never consciously accepted socialism, how has America proceeded to the point that an old Communist can proclaim we are achieving socialism?

¹ Quoted in *Pittsburgh Press* (June 19, 1966), sec. I, p. 11.

To Meet Changed Circumstances

Though few American historians would be as blunt as Earl Browder, there is a conventional explanation of the phenomena to which he refers. Indeed, in the interview cited above, Browder referred to and used the conventional explanation. He said, "We got it . . . merely in the piling up if [sic] single decisions under the pressures of need and crisis."² In greater detail, the explanation would go something like this: In consequence of industrialization, the mechanization of agriculture, urbanization, and the transportation revolution came depressions, concentrations of wealth, the dependency of the worker, declining opportunity, "monopolies," and spreading poverty. Government had to intervene to bring justice to the people in view of these changing circumstances. Politicians, operating pragmatically, have tried first this, then that, to come up with programs which would work. They have been moved not by ideology but by the pressure of circumstances.

The generality of men do not question familiar explanations; they do not even analyze them. In order for an explanation to become familiar it need only have been repeated enough times. This has occurred regarding the justi-

² *Ibid.*

fication of reform on the grounds of changing circumstances. It has been drummed into our ears for decades now. It sounds right to us. The rhetoric by which it is expressed has etched grooves in our minds which allow each additional statement of it to be taken in without causing pain. The point approaches where it is hardly more apt to be challenged than was the view that the earth was flat seven hundred years ago. Yet, it is an explanation that does not explain when put to the test.

Some of the reformist surges have come at times of general prosperity. The Progressive movement, in the early twentieth century, came at a time of the greatest prosperity America had known. The Kennedy and Johnson programs were introduced at times billed as ones of unprecedented prosperity. The rationale changes with the times, not the programs or direction. If it is a period of depression, the programs are described as remedies for depression. If it is a period of prosperity, they may be justified on the grounds that poverty is inexcusable in a land of plenty.

Disappointing Results

Nor does the pragmatic claim stand up under analysis. If the reformers were pragmatists, they should be concerned with whether

their programs work or not. On the contrary, they cling to them, once established, and press for the enactment of others of like nature. If workability were the test, the farm programs should have been scrapped long ago. They were supposed to rescue the small farmer and benefit agriculture generally. On the contrary, the number of farmers has decreased from 1930 to the present, and the brunt of this has been borne by small farmers. Large farmers generally have become more wealthy; and we have all paid for this continuing experiment with higher prices for certain products.

Various programs, such as housing projects, were supposed to reduce delinquency, yet crime mounts in America. Americans were supposed to be helped by government programs to become independent, but dependency on government increases apace. Anti-trust legislation was supposed to prevent the fixing of prices, yet prices in numerous instances are set by government decree and union monopolies. Far from working as intended, the programs often have produced results the opposite of those desired. If their proponents were pragmatists, they long since should have abandoned many of the programs which they still cherish.

Though a much more thorough

analysis of the explanation by circumstances and comparison of it with the evidence would be valuable, it is not necessary. An explanation is satisfactory to the extent that it accounts for all of the relevant phenomena. This one does not, and it must be discarded as inadequate. There not only are too many loose ends, but it does not even come to grips with the process of historical change.

The Conspiracy Theory

Another explanation has gained some following, though not generally in academic circles. It is that the trend to socialism is a product of a conspiracy, or of conspiracies. Such an explanation is particularly appealing because, if true, it would account for the fact that we have moved toward socialism without those responsible for it ever announcing it as the goal. The plausibility of this explanation is increased by the existence of a communist conspiracy, by a magnetic field surrounding it into which sympathizers are drawn, and by the affinity which many reformers have had for Communists. Its attraction is probably greatly enhanced by the obvious solution it offers: expose the conspiracy or conspiracies, imprison the malefactors, throw the scoundrels out, and get on with the business at hand.

The exposé occupies a position today in the Conservative movement similar to the place it had for Progressives at the beginning of the century. Books gain considerable currency that deal with Red spies at the United Nations, that rehash the story of the fall of Nationalist China, that tell again the story of Pearl Harbor, and so on. Much of their appeal is but testimony to the frailty of human nature, to the preference of men for reading something that will make their blood boil rather than help to make their minds work. Even so, if the present Conservative movement should emerge victorious politically, some part of its rise probably could be attributed to the exposés. Moreover, some of these have made valuable contributions to our understanding of what has happened.

Nonetheless, the exposés are largely offshoots of the conspiracy theory, so far as they offer any general explanation of what has happened. They deal with events which are only the flotsam and jetsam of the major developments of our time. They are of the surface of the waters on which we ride, not of the undertow which pulls us in the particular direction. The conspiracy theory may account for a particular *coup d'état*, for this or that hidden manipulation, for some particular bit

of espionage, for the introduction of some unfortunate phrase in a document, and so on. But it does not tell us what made the conspirators become what they are. Moreover, it does not account for the millions, perhaps billions, of people in the world who are drawn to support what is being done, or what they think is being done.

Victims of Illusion

We are the victims, not of conspiracy, but of illusion. Even the conspiracies are largely sustained by the illusion. The illusion is that men are, or can be, gods, that they can by taking thought reconstruct human nature, that they can create a world of their own devising, that decision-making can be separated from power, that tension and stress can be removed from the world, that reward can be separated from effort, that all-embracing governments can bring peace, that people can be treated as things and retain their dignity, that men will cease to pursue their own interests when the social system is changed, that evil is the product of circumstances and not of men, that consequences are determined by motives rather than by the nature of the acts, that the nature of acts is altered by the number of people who participate in them, that the nature of man

is plastic, and that the universe is malleable.

The heart of the illusion is in the view that the meaning of life is to be found in participation in the political process through which utopia is to be achieved by continuing social reconstruction. According to this view, men find their fulfillment in voting, in collective activity, in group projects, in civic undertakings, and in extending these methods as widely and universally as possible. This ethos goes by the name of democracy. It provides the rationale for the progressive politicalizing of life, for the interpenetration of all human activity with force.

The transcendent rituals of this pseudo-religion are group discussion and voting. Its end is a heaven-on-earth utopia which is to be achieved by social transformation. Its chief virtue is action, social action, action to produce the desired changes according to the modes of the rituals. Anything that is not politicalized is an affront to the adherents of this ethos. They talk continually of peace, but they foment strife because they continually intrude in the affairs of other men. They arouse the vague and restless discontents which are a part of the human condition and attempt to harness these for the purposes of social reconstruction.

The Philosophical Break

The burden of this work has been to show that men have succumbed to illusion by a flight from reality. This flight from reality has had a long and checkered career. It began at a level remote from the lives of most people, on the philosophical plane. Philosophers began to break the connection between cause and effect, between the evidence of the senses and logic, between the metaphysical and the physical realms, between ideas and reality. After Immanuel Kant, if there was a duality to reality—if there was body and soul, heaven and earth, physical and metaphysical, temporal and eternal, and so forth—the two realms were so disjoined from one another as to make them distinct and unrelated orders of being. The pure reason cannot arrive at validatable propositions; the practical reason can establish facts, but these fall far short of the truth for which man yearns.

Kant had, in effect, demolished the connections which enabled philosophers to provide a unified account of all the levels of reality. Philosophy gave way to ideology, and "isms" multiplied as thinkers attempted to account for all of reality by some piece from the wreckage of philosophy. Perhaps no better description can be given of ideology than that it is an

attempt to account for the whole of reality by some abstraction of a fragment of it.

Many ideologies emerged in the nineteenth century, but two of them were basic to the particular direction of the flight from reality: idealism and materialism. Dualism did not disappear; it tended to survive in the more or less independent development of idealism and materialism. Idea and matter remained, and thinkers labored to bring them together into some kind of synthesis. The work of G. W. F. Hegel was central to the development of thought. He held that idea became actuality in the historical process. All of reality was reduced to the historical plane where its being consists of its becoming. The purpose of life becomes the rendering of the ideal into the actual. Here is the tap root of the meliorist and revolutionary roads to socialism.

There was no longer any fixed and enduring reality for most thinkers, only an historical process of change. Some followed Hegel in holding that ideas can be used to shape actuality from matter (though Hegel did not think much of matter); others followed Marx in holding that there is a dialectic of matter and that ideas are really a product of this. To the materialists, all things are determined by the fluctuations of matter; to the

idealists, all things are a product of ideas. Both of these notions went into the stream of thought picked up by American meliorists, have been strangely combined and eclectically used.

At any rate, idealism provided the mental framework for the construction of utopias, while materialism gave substance. For many, the utopian vision served as the idea which they would make an actuality. The utopian idea was not new to the nineteenth century; it had been around for some time. But men had treated such ideas largely as playthings of the imagination, ridiculous because unattainable, undesirable even if attainable because they do not take into account the character of life on this earth.

A Fragment of Truth; Ideas Have Consequences

The atmosphere began to change in the nineteenth century. Not only were more utopian novels written but also they began to get a wider acceptance. For some at least, utopia began to seem both possible and desirable. Many had lost their certainty of a metaphysical and enduring order which would make them impossible. The declining vitality of belief in life after death opened up the possibility that Heaven would have to be on this earth.

Even so, most men have not consciously accepted the notion that utopia actually could be achieved. Any man of common sense can find numerous flaws in any particular version of utopia. Probably, most men will never accept the notion that utopia actually can be attained. They can, however, be convinced that conditions can be improved. This has been the method of the meliorists in America. Behind the thrust of meliorist effort lies the utopian vision, which is itself the impelling dream of socialism, but the programs which are supposed to lead to it are billed neither as socialism nor utopianism in America. They are only called improvements. Not all of them would produce utopia, but each of them might result in some improvement, so men have been led to believe.

There is a fragment of truth in the conception of translating ideas into actuality, a most interesting and important fragment of truth. Men do translate ideas into actualities, not perfectly but sufficiently well for us to recognize that it happens. A boy has a dream, a vision, an idea of what he will become when he is a man. If he plans well, if his idea is viable, if he works hard at it, the man he will become will bear some relationship to his dream.

Ideals, too, have played an invaluable role in the lives of men. The world would be immeasurably poorer, indeed an intolerable place, if individuals did not seek truth, strive to act justly, and yearn for the good. The Revelation by Jesus Christ of what is good in the sight of God contains the highest ideals for Christians. Each man who labors to order his actions to accord with ideals is, in a sense, translating idea into actuality.

In many ways, both mundane and sublime, men labor to translate ideas into actuality. The farmer who raises a crop translates his ideas about the employment of his land, labor, and capital into the actuality of produce. The man who builds a factory starts with a conception of it, even a dream, just as does the builder of a house. An artist who paints a picture begins with an idea; so does a novelist, a composer, an architect, and a cook. The inventor begins with a conception of a device that does not exist but which he believes can be produced by combining certain materials and principles. If his idea is valid, and if he knows how to apply it, an invention can result. Indeed, translating ideas into actuality plays a most important part in our lives. That this can be done is such an important

fragment of truth that men might be expected to want to apply it universally.

Let us return to the process of invention. Inventors have supplied us with an amazing array of conveniences and technology in the last hundred years. In no other area of human activity has the process of translating ideas into actuality been so dramatically demonstrated. We have come to associate this process of technological development with progress, and the word "progress" has for us the attraction derived from the association. Meliorists were able to capitalize on this association and claim that they were using the method in a new area. Both Lester Frank Ward and John Dewey talked of "social invention." The pseudo philosophy of pragmatism, with its emphasis upon experimentation, is largely built upon an abstraction from the process of invention. Reformists were going to produce the marvels in society that mechanical invention had done for technology. Their innovations would constitute progress in the social realm just as invention does in the realm of technology. Hence, those who were opposed to the political innovation and intervention which resulted would be described as anti-progressive and reactionary.

There is a major difference,

however, between mechanical invention and "social invention." The mechanic works with *things*. He shapes them in such ways that they do his bidding. He becomes master of them. By contrast, the "social inventor" deals with *people*. They have hopes, plans, and wills of their own. Otherwise, the analogy with mechanical invention holds. The "social inventor" attempts to shape people so that they will do his bidding (though this is supposed to be for their own good). He becomes their master to the extent that he gains political power over them. That is, to the extent that the "social inventor" (or social planner as he has come more commonly to be called) succeeds in his efforts, men lose control of their own affairs. The association with what men have thought of as progress is a bogus one, though it does become progressively tyrannical.

The Path to Tyranny

The flight from reality has had many facets. Some of them have been described in earlier chapters. My point, however, is that the flight from reality took place in the realm of ideas and was a product of what are called intellectuals. Many ideologies have provided grist for the mills of American reformers or meliorists, but the central idea is the translation

of a vision, a vision of utopia, into actuality by the use of political power. It is a perversion of idealism, an extension of it into unwarranted areas.

For an individual to have an ideal which he wishes to translate into the actuality of himself is healthy on the whole. But for a man to have an ideal for what others should become is likely to make him a nuisance at the best and a tyrant at the worst. When he uses force to make others over, he certainly becomes a tyrant.

The idea of transformed men and society was projected as utopia. It was taken up by American thinkers, read into an evolutionary framework, and methods were devised for a gradual movement toward its fulfillment. The ideologies were subsumed into mythologies which bent those who accepted them toward programs of amelioration and reform. These reformist ideas were intermingled with religion by the social gospelers and injected into educational theory and practice by progressive educationists. They were propagated in the media of communication. Earl Browder would have been correct if he had said that most Americans have no conscious socialist ideology; they have, instead, a mythology which carries in it an implicit socialist ideology.

The method of translating these

ideas into actuality is epitomized and concentrated in the presidential four-year plans—the Square Deal, New Freedom, New Deal, Fair Deal, New Frontier, and Great Society. The pen has been linked with the sword in these plans. As was shown above, intellectuals provided the ideas. It will be enough now to indicate briefly that Presidents put them into effect.

Most of these Presidents have not frankly avowed their aim to reconstruct society. However, occasionally it has come out, as in the following declaration by Woodrow Wilson:

We stand in the presence of a revolution,—not a bloody revolution; America is not given to the spilling of blood,—but a silent revolution....

We are upon the eve of a great reconstruction. It calls for creative statesmanship as no age has done since that great age in which we set up the government under which we live, that government which was the admiration of the world until it suffered wrongs to grow up under it which have made many of our compatriots question the freedom of our institutions and preach revolution against them. I do not fear revolution.... Revolution will come in peaceful guise.... Some radical changes we must make in our law and practice. Some reconstructions we must push forward, for which a new age and new circumstances im-

pose upon us. But we can do it all in calm and sober fashion, like statesmen and patriots.³

In milder language, Franklin D. Roosevelt made a similar proclamation:

At the same time we have recognized the necessity of reform and reconstruction—reform because much of our trouble today and in the past few years has been due to a lack of understanding of the elementary principles of justice and fairness by those in whom leadership in business and finance was placed—reconstruction because new conditions in our economic life as well as old but neglected conditions had to be corrected.⁴

As a general rule, however, Presidents with four-year plans have not emphasized the revolutionary character of what they were proposing. On the contrary, they have made as little of the innovation as possible and have tried to maintain that what they were doing was somehow profoundly in keeping with true American tradition and purpose. For example, when Theodore Roosevelt called for out-and-out regulation and supervision of

³ Woodrow Wilson, *The New Freedom*, William E. Leuchtenberg, intro. (Englewood Cliffs, N. J.: Prentice-Hall, 1961), p. 32.

⁴ Franklin D. Roosevelt, *Nothing to Fear*, Ben D. Zevin, ed. (New York: Popular Library, 1961), p. 50.

American corporations in 1905, he described the program as in keeping with the American past. He said, in part:

This is only in form an innovation. In substance it is merely a restoration; for from the earliest time such regulation of industrial activities has been recognized in the action of the law-making bodies; and all that I propose is to meet the changed conditions in such a manner as will prevent the commonwealth abdicating the power it has always possessed not only in this country but also in England before and since this country became a separate nation.⁵

The second Roosevelt was even more masterful in describing his alterations as if they were entirely constructive in character. On one occasion, he likened them to the way an architect can renovate a building, joining the new to the old so felicitously that the whole will retain its integrity. The following references were to a renovation of the White House that was going on:

If I were to listen to the arguments of some prophets of calamity who are talking these days, I should hesitate to make these alterations. I should fear that while I am away for a few weeks the architects might build some strange new Gothic tower or a factory

building or perhaps a replica of the Kremlin or of the Postdam Palace. But I have no such fears. The architects and builders are men of common sense and of artistic American tastes. They know that the principles of harmony and of necessity itself require that the building of the new structure shall blend with the essential lines of the old. It is this combination of the old and the new that marks orderly peaceful progress, not only in building buildings but in building government itself.⁶

Emphasis on Gradualism

The above is, of course, the rhetoric of gradualism. It is the beguiling language which has concealed the thrust of the sword into virtually every area of American life. The sword is an apt symbol for the use of government power. The first penetration of the flesh by a sharp sword will hardly be noticed. It is a mark of the ingenuity of American gradualists that they are able to appeal to the fact of the lack of pain caused by their programs at first as an argument for extending them. The argument goes something like this, figuratively: the sword is already in; the first thrust did not hurt much; there can, therefore, be no objection to driving it further in. It is not even much of an innovation to drive the sword deeper once it

⁵ Marvin E. Meyers, *et. al.*, eds., *Sources of the American Republic*, II (Chicago: Scott, Foresman, 1961), 105.

⁶ Roosevelt, *op. cit.*, pp. 53-54.

has been introduced into the body.

Rhetoric aside, however, this is how the application of meliorism has resulted in extending force into more and more of American life. Step by step the control, regulation, and intervention has mounted. It began mildly enough in the early twentieth century. At first, it involved only such things as regulating interstate transportation, a pure food and drug law, a meat inspection act, the establishment of a postal savings system, the interstate transportation of females for immoral purposes, and the bringing of telephones and pipelines under government regulation. It proceeded to the passage of a minimal graduated income tax, to the setting up of the Federal Reserve System, to the establishment of rules for dealing with railroad labor, to the exemption of organized labor from antitrust legislation, and to special rules for the directors of large corporations.

Leaving out of account the war years of World War I, the speed of intervention mounted precipitately in the 1930's. Farm prices were subsidized, crops restricted, the stock exchange regulated, labor unions empowered, a government arbitration board created, the income and inheritance tax raised, minimum wages and maximum hours established, loans to

farmers provided, Federal aid for slum clearance authorized, vast relief programs undertaken, and so on.

Since World War II, the pace of intervention has been maintained. Social security has been extended to ever larger portions of the population, labor unions regulated in new ways, Federal aid to education extended, conscription extended into peacetime, relief programs of various sorts continued, disaster relief inaugurated, vast programs of urban renewal started, world-wide embroilment by foreign aid begun, and so on.

The above only scratches the surface of the total regulation, control, and intervention by governments in America. There are, in addition to the above, many Federal laws not alluded to, the rules and regulations propounded by boards and commissions, and the fantastic variety of state and local laws, rules, and decrees. To these should be added an increasing number of judicial decrees which are given the force of law.

Depending upon the circumstances and locale, in some instances, an American cannot decide how much he will plant, how he will build, what interest he will charge, what he will buy, to whom he will sell, whom he will serve, what price he will charge,

how much education his children will have, what school they will attend, what he shall say (on radio and television), what causes he will support, what size container he shall use, what medication his family shall receive, what business he will enter (since there are government monopolies in certain enterprises), whom he will hire, whom he will fire, with whom he will negotiate, whether he will go out of or remain in business, whether he will contribute to funds for his old age or not, what kind of records he will keep, what he will pay to those he employs, what books his children will be exposed to, and much more besides. The amount determined by the exercise of political power increases and those things left to individual choice decline.

A Fatal Dosage

The sword is now deep in the body. However slowly it has entered and however gradual the thrusts, it must eventually reach the vital organs. That this has already occurred and is occurring is indicated by the loss of liberty, the destruction of money by inflation, a mounting and unpaid national debt, rising costs, increasing relief rolls, inflexibilities and rigidities, and spreading lawlessness.

It is not illusion alone that sus-

tains the movement toward socialism, however. Some men may have succumbed to the illusion that the politicalizing of life is desirable. There may be those, even a great number, who believe that the melioristic programs of politicians are advanced for altruistic reasons. Some portion of the populace may believe that the meaning of life is to be found in democratic participation. Certainly, there are ideologues who are committed to socialism and are utterly blind to the consequences of the efforts in that direction. But behind the façade of altruism, beyond the cloud cover of rhetoric, there is a solid reality which sustains even the flight from reality. It is the reality of government favors and the enticements of political power and prestige.

Men do not readily succumb to illusion in matters close to them with which they are familiar. They follow their own interests, narrowly or broadly conceived or misconceived. Pen and sword are linked together in a web of self-interest that extends outward from the centers of power in America to embrace almost everyone who has some special prerogative, franchise, benefit, exemption, concession, or office derived from government. These are too numerous even to summarize here, but they include such diverse favors as

welfare checks, government contracts, radio and television franchises, oil depletion allowances, F. H. A. requirements for escrow balances, loans, subsidies, building projects hoped for, military establishments in the vicinity, and so on through an almost endless array of special privileges.

Almost All Are Involved

Virtually every American has been drawn into the orbit of dependency upon government, willingly or not, and to a greater or lesser extent. It may be an illusion to believe that each of us can benefit from the largess taken from all of us, but it becomes increasingly difficult, if not impossible, for an individual to calculate whether his benefits exceed his costs or not. Since they do not know the answer to this sixty-four (or 104) billion dollar question, men fear to disturb the status quo of benefits.

At the apex of this structure of power and privilege is an elite of politicians, intellectuals, labor leaders, scientists, military men, and assorted leaders of specially privileged minority groups. At the pinnacle is the President and those who enjoy his favor. Here, the benefits are such as would dazzle and tempt a saint. There are the obvious perquisites of office, of course: the black limousines, the

jet planes, the helicopters, the Marine band, the medical care at Walter Reed Hospital, the admiring crowds, and the fawning assistants. Some of these might be found, even if there were no welfare state, no movement toward socialism, and no spreading assertion of government power.

But the pushers of the pen have provided the wielders of the sword with a rationale and justification of their position that places them above mere mortals. They have set forth an ethos supporting the concentration and exercise of power which makes of those who wield it virtual gods. As more and more of American life is politicalized, the stock of the politician rises in direct ratio. As more and more of our actions are politically directed, the importance of the politician increases. As decisions over their lives are taken from individuals and made political, the politician who makes the decision rises in his own estimation and that of his fellows. As the political mode of doing things—that is, voting, debating, legislating, negotiating—is made the ideal for all activity (such procedures being called democratic in the contemporary argot), the man who has politics as his profession can believe that his is the most meaningful of lives.

My point is that meliorist in-

tellectuals have shown politicians the way to enhance their prestige and increase their power. They have led them to believe that they can control the economy, increase purchasing power, rehabilitate cities, rescue farmers, promote learning and the arts, integrate the races, abolish poverty, produce plenty, develop undeveloped nations, remove fear and want, provide medical care, and give security to a whole people. Politicians have not been slow to claim the credit for anything desirable that is accomplished. If the "national income" increases, it must surely be the result of political effort. If unemployment decreases, the party in power must have provided the jobs. The following pronouncement by President Johnson is typical of such claims:

We have come far in the past few years. Since January 1961 [the date of inauguration of John F. Kennedy, by which we are to understand that what has been done can be credited to the Democrats] our gross national product has risen 22 percent, industrial production is up 25 percent, the unemployment rate is down 24 percent, disposable personal income is up 18 percent, wages and salaries are up 19 percent, and corporate profits are up 45 percent.⁷

⁷ *Public Papers of the Presidents of the United States, Lyndon B. Johnson, 1963-64*, I (Washington: Government Printing Office, 1965), 777.

Presidents have claimed credit for virtually everything now but the weather, and they are working on controlling that.

There has been an attempt to give the electorate a sense of participation in the heady experience of exercising power. The instrument by which this is supposed to be accomplished is voting. According to the lore of our time, when a man votes, he is making the ultimate decisions, is causing the whole paraphernalia of government to dance to his tune. Whatever action government takes is his action; whatever good is accomplished is done by him; whatever power is exercised is his power. Through the mystique of the ballot box, the mighty are supposed to be brought low and made to answer to the will of the voter.

Voting is important; it can be used to hold politicians in check, to control, to some extent, the exercise of power, and to short-circuit the surge to power of government agents. But voting does not work this way when it becomes an instrument in the gradual movement toward socialism. The voter does not increase his power by voting for more government intervention; he decreases it. It is an illusion that an increase in government power over the lives of the citizenry is an increase of the power of the individual voter. The

man who votes for more government intervention is voting for diminishing his control of his own affairs. It is a sorry swap to trade the very real control which a man may have over his life for the illusory control this is supposed to give him over the lives of others. He who does this is exchanging his heritage for a mess of pottage. He exalts the politician and debases himself.

A Vested Interest in Promoting Socialism

Politicians have acquired a vested interest in moving the United States toward socialism. Not only does it provide them with prestige and power, but it helps them get elected to office. Politicians run for office on the basis of benefits, favors, subsidies, exemptions, grants, and so forth which they did or will provide for the electorate. Notice how this impels us toward more and more governmental activity, for the man who would continue to be elected should promise ever greater benefits to his constituency. Most men have long since forgotten how to run for office without buying votes with money to be taken directly from the taxpayers, or indirectly by way of inflation.

There is a sense in which meliorist politicians may be described as pragmatists, though not

in the way we have been led to believe. The workability or success of a plan or undertaking is relative to the goal for which it has been adopted. The stated goal of the various meliorist programs is the improvement of the lot of the people. If this had been the goal of the farm program, for instance, it has not "worked." Instead, farmers have left the farms in ever larger numbers; the marginal farmers were progressively impoverished and those with large holdings and considerable capital enriched. The generality of the population have paid for this by taxation and higher prices for farm products.

If, however, the objects of the farm program (and other such programs) were socialization and/or political power, it has worked. More and more of the decisions about the utilization of farm land are politically ("socially") determined, and those who have supported the farm programs have quite often been elected and re-elected to office. The same is true for many other interventionist programs. In short, the programs do "work" in moving America toward socialism and in maintaining or increasing the political power of those who advance them. In this sense, they are pragmatic, and those who advocate them are pragmatists.

The Pleasures of Power

Those who provide the justification for Leviathan have their reward, too. A select few are able to move into the circle of the President himself. One intellectual who did — Arthur M. Schlesinger, Jr. — has described the rewards dramatically: "One could not deny a sense of New Frontier autointoxication; one felt it oneself. The pleasures of power, so long untasted, were now being happily devoured — the chauffeur-driven limousines, the special telephones, the top secret documents, the personal aides, the meetings in the Cabinet Room, the calls from the President."⁸

There are other rewards of a more tangible nature. Schlesinger wrote a best-selling book which was an account of the Kennedy days when he was close to the President. It won a Pulitzer prize. Nor did the rewards end with the period of residence in the White House. Since leaving Washington, Schlesinger has "signed a contract for the \$100,000 Albert Schweitzer chair in humanities at City University of New York."⁹ The rewards are not so great for the generality of intellectuals, of

course, but those who support Leviathan are more apt to find their talents rewarded than those who do not.

Yet the reality of power and privilege is based on illusion, too. It is an illusion that the wielding of the sword can produce prosperity. The actions of Presidents Kennedy and Johnson did not really increase the gross national product by 22 per cent, or industrial production by 25 per cent, or reduce unemployment by 24 per cent, and so on. They could, of course, have used political power to inflate the currency to the extent that these statistics would be accurate in monetary terms, and that unemployment could have been reduced because workers formerly priced out of the market could now be afforded. But any solid gains that occurred would have been the result of the efforts of those who actually produced the goods or hired the workers. If this were not true, we could all quit work and let Presidents provide for us by waving the magic wand.

Facing the Consequences

The most profound illusion of all is that men can escape the consequences of their acts. Jesus said that "all who take the sword will perish by the sword." There are different levels upon which Scripture should be interpreted, but

⁸ *A Thousand Days* (Boston: Houghton Mifflin, 1965), p. 213.

⁹ Geoffrey Gould, "College Profs Earning Better Pay Every Year," *Pittsburgh Post-Gazette* (July 4, 1966), sec. II, p. 32.

this one seems to apply, too, to what actually happens in history. From 1865 to the present, four Presidents have been assassinated, and attempts have been made on the lives of others. In the twentieth century, Presidents have been placed under heavier and heavier guard. They are now preceded by a host of government agents on their visits anywhere, agents who strive to make sure no dangerous characters shall get a vantage point from which to attack the President. There is an obvious explanation for this increasing danger of assassination. It is the increasing power of the President. To the extent that the President symbolizes the government, to the extent that he is responsible for government action, to that same extent does his position become more perilous for him. In short, the increasing power and prestige of his office exposes him the more to an assassin's bullet. When he becomes the wielder of the sword, he becomes subject to perishing by the sword.

The nation that takes the sword may be expected to perish by it also. This can occur in numerous ways, or combinations of them. Most obviously, a nation may be defeated by some foreign power. But this is most apt to occur after death has already begun. It may perish by the corruption that at-

tends reliance upon the loot brought in by wielding the sword. It may succumb by the route of the runaway inflation which follows prolonged political manipulation of the money supply. It may be weakened gradually by the loss of incentive to produce that attends the ever larger amounts taken from producers by taxation. It may fall finally as a result of the inflexibilities and rigidities introduced by government intervention which eventually make it impossible to adjust to changed conditions. Any or all of these, or others unnamed, may cause a nation to perish.

Fate of the Intellectuals?

But let us return to the particular once more to exemplify the destination of those on the flight from reality. What of the intellectuals who have engineered the journey? What is their fate? What are the ineluctable consequences of their act? They have moved the pen into the orbit of the sword; in a sense, they, too, have taken the sword. The pen is only mightier than the sword so long as it is independent of the sword. Once it comes into the orbit of the sword, it comes under its sway. Those who push the pen must serve those who wield the sword. They must become the adjuncts of those who have political power, or

give up their influence. It depends upon the circumstances whether they will literally perish or not. For those interested, there is an object lesson in what happened to communist intellectuals in the Soviet Union. They either knuckled down to the political power or were silenced. What is going on in the United States is much more subtle today. More and more research and teaching are becoming dependent upon government bounty. Already the path to preferment—to research grants, to positions in great universities, to book publication, and so forth—is virtually closed to those who will not pay their tribute to Caesar in the form of fulsome praise for Leviathan.

The pen is mightier than the sword when it is moved to express truth; it is but an adjunct of the sword when it can only be effectively used in praise of the state. Free speech and press may never be forbidden in America, but the time approaches swiftly when there will be no organizations which are independent of government support and whose leaders will dare to risk the consequences of biting the hand that feeds them by succoring those who dissent from official positions. When this occurs, tyranny may have come, but there will be no effective voices to say it nay. Those who take the sword perish by it.

Recheck the Premises

In conclusion, it may be appropriate to say something about the return to reality. Much could be said under this heading. Since the flight occurred initially in the realm of ideas, it might be apt to suggest the rethinking of premises. Much might be accomplished by a return in humility to the discipline of philosophy, by learning again both the limits and possibilities of thought, by recovering the breadth of philosophy and substituting it for the narrowness and exorbitant claims of ideology. But most of us are not philosophers, and, if we were, there is not space here to explore the topic.

It will be better to conclude, instead, with something that is relevant to everyone. There is a clue to the return to reality in certain passages in the Bible which have to do with swords. The following is from Micah (RSV):

For out of Zion shall go forth the law,
and the word of the Lord from
Jerusalem.

He shall judge between many peoples,
and shall decide for strong nations
afar off;

and they shall beat their swords into
plowshares, and their spears into
pruning hooks;

nation shall not lift up sword against
nation, neither shall they learn
war any more.

That much is familiar and has

served as texts and the basis of song on many occasions. What immediately follows may not be so well known:

but they shall sit every man under
his vine and under his fig tree,
and none shall make them afraid....

To say that every man shall sit under his vine and under his fig tree, to couple this with plowshares and pruning hooks, is a way of saying, I think, that every man should tend to his own plot of land. Or, we shall have peace when each man tends his own plot. There is great wisdom for us in this. The flight from reality has taken us into a way of thinking which justifies every man trying to tend every other man's plot of land. The sword has been taken to force people to do what others think they should. Meddlesomeness, busy-bodiness, do-goodism have been linked with the sword to produce the turmoil of our times.

There is guidance, too, as to the meaning of life in these passages. It is not in restless efforts to make the world over, not in political adventures to solve problems, not in the making of collective decisions about all that concerns us, not in embroilment in the affairs of

others, not in living the lives of others, that we can find meaning and fulfillment. The restless quest for power is not assuaged by the acquisition of power; the appetite is only whetted for more. Trying to manage other people's affairs does not bring peace and concord; it only arouses resentment and leads to conflict. The meaning of life is not to be found in the use of force to translate ideas into actualities. It is not in the assertion of our wills over others that we grow and attain maturity.

Such meaning as there is to life on this earth is found in tending our own plot of ground, in tasting the fruits of our own labors, in developing our own skills and perceptions, in sharing with others freely, in doing that which is appropriate to our talents, in striving to fulfill our ideals for ourselves, in the pleasure of a job well done, in the company of friends who have chosen us and whom we have chosen, in bringing up our own children, in short, in sitting under our own vine and fig tree. It is so, says the Prophet, "for the mouth of the Lord of hosts has spoken." Each of us makes his own return to reality when he concludes with the poet:

In His will is our peace. ♦

PROTECTIVE TAXES AND WAGES

WILLIAM GRAHAM SUMNER

THE DISCUSSION of protectionism in the United States constantly turns upon questions of wages. The question has two forms. The employed argue that protective taxes will make their wages high. The employers argue that protection is necessary for them, because they have to pay high wages. . . .

Protective taxes aim to keep foreign products out of the country, in order to secure the home market to the home producers. These taxes, therefore, make commodities dear, scarce, and hard to get. But the commodities in the country are what constitute the wages of laborers. If the amount of these commodities is rendered smaller than it might be, how can that raise wages, looking of course not at money wages, but at real wages,

or the comfort attainable by the laborer?

There is no real propriety in discussing wages apart from other elements in the comfort of the population. Protective taxes lessen the available comfort in the reach of all members of society; they curtail the enjoyment which each citizen might get out of each hundred dollars of income. If I discuss wages as a separate question, I do so only because the question has been so raised, not because I concede that the laborers have any separate interest which can be, or ought to be, discussed by itself. It is pure demagogism to represent it as one of the functions of the Government to make wages high, or in any way to pet the laboring class. The protective taxes press upon all, even upon the protected, who mutually plunder each other.

From an essay in the *North American Review*, January, 1883, pp. 270-76.

The lowering of real wages, by making commodities scarcer and dearer, is the way in which the wages-class are subjected to their share of the effects of protective taxes. . . .

Why Wages Are High

The fallacy in the notion that protective taxes make wages high is the same as the fallacy in the notion that trades-unionism makes wages high. Protection and trades-unionism act on the same principle. Trades-unionism inculcates negligence, slackness, and shirking. It teaches the men not to take pains, not to try to excel, not to do good work, and the philosophy of it is that the men should not try to produce, but should try not to produce, on the theory that if things are made scarce and dear and hard to get, that makes "work," and so makes wages high. If that philosophy were sound, all the classes which consume but produce nothing — like soldiers, paupers, idle women, idle rich, gamblers, criminals, and convicts — would be all the time raising wages, and they would lower wages if they should go to work, and not only consume but also produce. On the same philosophy, the Pittsburgh rioters were sound economists when they let the city burn down, thinking that it would make work and raise wages.

The protectionist and the trades-unionist both think that wages are increased when things are made scarce and hard to get. First they confuse wages with work, and then they confuse work with toil, and they think that they have increased wages, that is, good things to enjoy, when they have only increased the toil by which things are obtained. The truth is that wages are raised only by industry, thrift, temperance, prudence, and economy, producing abundance and increasing capital, not by any dark and crafty devices for producing scarcity and bad work.

We may now look at the other notion, — that high wages make protective taxes necessary. People who believe this must have a queer idea of the economic laws of society. They must think that a blessing and a calamity are not to be distinguished from each other. The wages paid in any industry are only one of the conditions of production. . . .

Inefficient Management

If a capitalist says that he cannot pay the current rate of wages, the first answer that should be made to him is to tell him not to do it then, for he must be misapplying his capital in some way or other. The market rate of wages is set by the supply and demand of labor, and there must be some in-

dustries which are able to win profits while paying that rate.

But when our petitioners appear before committees of Congress to ask for protection, and allege that they need it because wages are high, when has any one of them ever been subjected to an examination to learn whether he understands the business he has engaged in, or has an adequate capital, or has faithfully devoted himself to business, or has judiciously located his establishment, or has bought his raw materials wisely, or has adopted new machinery rapidly enough, and yet not too rapidly, or has organized his industry with good judgment, and so on indefinitely? Surely these inquiries would be to the point, when a man pleads for power to tax his fellow-citizens to make up the losses of his business.

Wages are one of the essential expenses of any business. If it cannot pay wages at the market rate, it is not a "business"; it is either a play or a swindle. If it is said, as it constantly is, that American industry in general should be protected because American wages are high, the decision is made to turn on a single point when there are a score of conditions of industry which would need to be taken into account. What are the facts as regards cost and convenience of raw materials, facilities of trans-

portation, cost and quality of machinery, climate as affecting industry, character of the people for industry, intelligence, and sobriety, security of property and order under the Government, excellence or otherwise of the tax system? These are the conditions of industry as between nations, not comparative rates of wages. . . .

Who Pays the Tax?

It is said that we cannot compete with those who pay less wages than we. There are two classes of persons with whom one cannot compete,—his inferiors and his superiors. A physician might find that he could not compete with a laborer in digging a ditch, or with a great financier in managing a bank. Could any tax enable him to compete with the banker; that is, to compete with his superior? On the contrary, if he should complain that he could not compete with the laborer because he could not afford to employ his time in an occupation which is less remunerative than his own, every one would ask him why then he desired to compete?

Now, could a tax enable him to compete with the laborer? Indeed, it could. It could intervene to deprive him of the services of the laborer, and force him to dig his own ditch, abandoning a profession in which he could earn ten

dollars a day to spend his time in an occupation worth only a dollar. This last is the only way in which protective taxes enable us to compete. They put us in a position such that we abandon occupations in which we might earn the high American rates, in order to do things which other people would do for us at half the price.

Lower wages abroad, therefore,

are not a reason for protective taxes, but just exactly the contrary. Our high wages are a proof that we can better occupy our time. They are a proof that we have means of employing our capital and labor, which are highly remunerative; and to make them an argument for protection is like arguing that a rich man needs charity, or a strong man help. ♦

IDEAS ON LIBERTY***Comparative Advantages***

SUPPOSE a physician earning \$10,000 a year buys his vegetables from a local farmer whose income is around \$3,000. Does that mean that the doctor's income will decline toward that of the farmer? On the contrary! Both are specialists. By having someone else raise his vegetables, the doctor can specialize and become even more proficient in his job. If he were forced to raise his own vegetables and if the farmer were forced to doctor himself, neither would be as well off. Specialization and free trade improve the conditions of all participants. This is as true for foreign trade as for domestic trade.

Tariffs encourage the production of some things in which the country is less efficient and discourage the production of other things in which the country has a comparative advantage. The total value of production, so far as consumers are concerned, is less than it would otherwise be — and this means that real wages are held down by reason of tariffs. So, rather than *protecting* domestic wages generally, tariffs *lower* real wages in all countries affected.



Shedding Friendships



JOHN DOS PASSOS is one of those persons who learned the hard way. But he learned. His book about his younger years, *The Best Times* (New American Library, \$5.00), is a record of his travels and friendships up to the mid-nineteen thirties, and they were the "best" years only in the sense that the author was young and adventurous and the "times" were not yet sullied by the worst of wars. From the standpoint of philosophical and political understanding they were not good years at all, for during the whole long interwar period John Dos Passos was still under many illusions. He had to outgrow many places and friends in order to discover that freedom was right where he had left it as a boy, in the America of his father's time, which was before the lures of socialism had captivated the generation that came of age around 1917.

The book begins with Dos Passos' effort to make his father's "figure stand up out of the shades."

Old John Dos Passos Senior comes alive because his son has letters to quote from in building up the portrait. Under the intensity of the prose one senses the love-hate attitude that governed young Jack's relations with his father. It must have been a most difficult childhood, for John Dos Passos was born late in both his mother's and father's lives, and his parents, as Dos Passos delicately puts it, were not able to "regularize" their son's "civil status" (i.e., legitimize him by getting married) until he was in his teens. The sad thing about the parents' marriage, which followed a long love affair, was that Dos Passos' mother, who had looked forward to a few years of peaceful family life, succumbed to a mortal illness in which she had to be cared for like a child. When he was sixteen and living through the stale heat of a Washington, D.C., summer, Dos Passos was left alone for a period with his mother. He had to do the marketing and

pay the household bills, and clean up after a drunken cook. In the earlier years of his youth Dos Passos was tucked away in English schools before prevailing upon his father to let him come home to America, where he went to Choate and Harvard.

A Stern Father

The conditions of Dos Passos' childhood made him a curious but somewhat aloof spectator of life. He admired his father's individualistic character, but the old man was obviously a bit overpowering. The father was a Gold Democrat, a corporation lawyer, and a hater of Theodore Roosevelt. His fee for legal advice to the Havemeyer interests on forming the "sugar trust" was reputedly the largest on record.

Dos Passos pictures himself as coming home from school and offering "some ill-founded opinion." His father would forthwith irritate the boy's "budding ego" by taking off his glasses and asking: "Is that remark the result of experience or observation?"

So the son fought a hidden duel with his father until the old man died. Years later Dos Passos came to appreciate his father for having dared to be himself. Dos Passos Senior was actually a man of great foresight. "Suppose the Allies do destroy German militar-

ism?" he asked. His answer to his own question was that "another power or syndicate of nations stronger than the Germans will be born from the ashes of Prussia."

Probably John Dos Passos was luckier than he knew in having lived through a very special childhood. He read prodigiously in the long, lonely stretches. His sense of being "different" made him reflective. The periods he spent abroad gave him a taste for travel. And the recollections of his father's "eighteenth century" mind eventually drew Dos Passos back to the Jeffersonian years of the American Republic, with the result that he could reject the socialism of his twenties without too much spiritual travail.

Searching for a Cause

It was a long time, however, before John Dos Passos was willing to admit to himself that "politics in our day is more destructive than fifteenth century religion." He could only sense this on the occasions when the orthodox Leftists, following the "party line," tried to provoke him into making an unqualified declaration in favor of communism. As an ambulance driver in France Dos Passos was against "imperialist" war. But he couldn't follow the Frenchman Louis Aragon and become an out-

and-out Marxist. Working with collectivist theater groups in New York City, Dos Passos couldn't quite bring himself to toe the line in his own plays. His novels, though sociological in their scope, were most vivid when individualistic heroes were on stage.

Dos Passos couldn't even give himself to Bohemia. He stood a little apart from the roisterers of the Left Bank cafes. He went to the Near East, to Iran, to the Bedouin deserts, and to Soviet Russia, but, though he reveled in the colors, the sounds, and the scents of exotic places, he never quite "identified" with any of the movements he wrote about in his "painter's eye" prose. In Russia he was impressed by the ironists, such as the man who considered "Peter the Great, who brought order out of chaos, the first Bolshevik." Dos Passos admired and liked the Russian people, but when an actress friend asked "Are you with us or against us," he jumped on the Warsaw train in the steamy Moscow station without answering. And he says that when he crossed the Polish border—Poland was not communist then—"it was like being let out of jail."

Signs of Maturity

Dos Passos' friendships with E. E. Cummings and Ernest Hemingway took different courses.

He never broke with Cummings, whom he considered to be the "last of the great New Englanders." But Ernest Hemingway and Dos Passos began to have their differences at the time of the Spanish Civil War. True to his temperament, Dos Passos sided with the anarchists against the Stalinist regulars who wanted to win in Spain only to turn the republic over to communism. Hemingway, less probing in his politics, did not fight the Stalinists.

Speaking of the rift with Hemingway, Dos Passos says that "when the meaning of political slogans turns topsy-turvy every few years, anyone who tries to keep a questioning mind, matching each slogan with its real-life application, each label with the thing itself, has to put up with having old friends turn into unfriends and even into enemies." Maturity, to Dos Passos, meant the inevitable "shedding of friendships." "In an age like ours," so he expands the point, "when political creeds drive men to massacre and immolation, political opinions become a matter of life and death. Differences which, when men and women are still in their twenties, were the subject of cheerful and affectionate argument brew recrimination and bitterness when they reach their thirties."

What Dos Passos doesn't say is

that he kept on growing intellectually where Hemingway did not. But we can say it for him. ♦

► *THE GENEROSITY OF AMERICANS* by Arnaud C. Marts (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1966. 240 pp., \$5.00)

Reviewed by Richard Christenson

DEFENDERS of the welfare state often base their case on the assumption that few Americans would be inclined to support the necessary educational and welfare needs of our nation, or would lack the means if they had the inclination; government, therefore, has had to step in. Mr. Marts, a professional fund raiser, explodes this assumption. He shows that the helping hand has always been extended in America, that the generosity of individuals worked out solutions to all sorts of problems long before government intervened. His historical research traces our tradition of voluntarism, for carrying out good works by personal giving and private philanthropy.

Although many of his examples are lengthy and of only passing interest to the average reader, the author gives an intriguing account of how effective private philanthropy has been and is even now. The American people gave more than \$11 billion last year to

finance everything from local universities to national arts and science projects; the generosity of Americans is beyond question. Mr. Marts shows that in contrast to Europe and Asia, where philanthropy is practiced by only a few, American generosity is widespread. Last year over 40 million Americans, individuals and families representing all economic levels, made contributions to various causes. This national characteristic is not something new but was in such obvious contrast to Continental practice that Alexis de Tocqueville praised it in his writings over a century ago.

How much would people give if the progressive income tax were abolished? This is an interesting question. An answer is suggested in the data provided by the author concerning the acceleration of private giving in England during the reigns of King Henry VIII and Queen Elizabeth when the Tudor Charitable Laws were first enacted. It was from this beginning that the generous men and women of England started so many projects to help the underprivileged and poor of the nation that it makes our present war on poverty pale by comparison.

Private philanthropy satisfies something deep in the nature of the giver, Mr. Marts points out. "For some reasons, unseen and

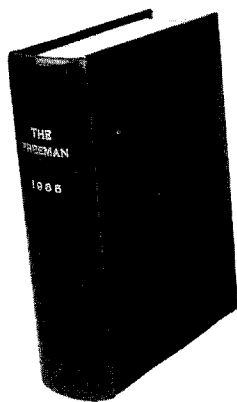
even not fully comprehended (like most spiritual motivations), many generous givers develop giving as a habit; a pleasing and satisfying refinement; a meaningful expression of their personality . . . numerous examples provide eloquent arguments for the critics and seem to show that if anything, giving tends to increase the capacity of individuals to share."

Private philanthropy has also proved to be the most creative and imaginative way of introducing new solutions to social needs: "Private generosity for the public good does [the] pioneering."

The late A. M. Schlesinger, Sr., writes: "In contrast to Europe, America has practically no misers and the consequence of the winning of Independence was the abolition of primogeniture and entail. Harriet Martineau was among those who concluded that 'the eager pursuit of wealth does not necessarily indicate a love of wealth for its own sake.' The fact is, that for a people who recalled how hungry and ill-clad their ancestors had been through the centuries in the Old World, the chance to make money was like the sunlight at the end of a tunnel. It was

the means of living a life of human dignity. In other words, for the majority of Americans it was a symbolism of idealism rather than materialism. Hence, this 'new man' had an instinctive sympathy for the underdog, and even persons of moderate wealth gratefully shared it with the less fortunate, helping to endow charities, schools, hospitals, and art galleries and providing the wherewithal to nourish movements for humanitarian reform which might otherwise have died a-borning."

But now government is deep into fields once the domain of private philanthropy. It seems somewhat contradictory that we would go to so much effort to breathe life into something and get it started privately and then allow government with its historic inefficiency to adopt and support the newborn creature. What would happen today if the government's role were reduced, permitting people to keep the dollars now taxed away? In such an unhampered atmosphere of freedom the private sector could once again assume its responsibility for generous giving on even a more massive scale than now. ♦



BOUND VOLUMES OF *The Freeman*—1965

Attractively sewn in a single volume with hard cover, the 12 issues from January through December, fully indexed—768 pages, for handy reference to the latest literature on freedom.

Only \$5.00

These bound volumes of THE FREEMAN match in appearance and otherwise continue the 12-volume series of *Essays on Liberty* containing selections from THE FREEMAN and other Foundation releases back to 1946. (A separate cumulative subject matter, author, and title index is available for the 12 volumes of *Essays on Liberty*. \$1.00.)

Bound volumes of THE FREEMAN for 1966 will be available shortly after the end of the year.

ORDER YOUR BOUND VOLUMES NOW!

THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, N. Y. 10533

Please send me:

THE FREEMAN for 1965 \$ 5.00 ☐

THE FREEMAN for 1965 and 1966 (The 1966 volume
to be shipped when ready) \$ 9.00 ☐

ESSAYS ON LIBERTY (Set of 12, with cumulative index) Cloth \$30.00 ☐
Paper \$20.00 ☐

☐ CHECK ENCLOSED

☐ SEND INVOICE

NAME _____

STREET _____

CITY _____

STATE _____ ZIP CODE _____

THE *Freeman*



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

To:

street

city

state

zip code

PLACE
6-CENT
POSTAGE
HERE

CIVIL DISOBEDIENCE

■ Whereas certain violent and unwarrantable proceedings have lately taken place tending to obstruct the operation of laws of the United States . . . which proceedings are subversive of good order, contrary to the duty that every citizen owes to his country and to the laws, and of a nature dangerous to the very being of a government; . . . the permanent interests and happiness of the people require that every legal and necessary step should be pursued as well to prevent such violent and unwarrantable proceedings as to bring to justice the infractors of the laws and secure obedience thereto.

GEORGE WASHINGTON

Presidential Proclamation, September 15, 1792

THE *Freeman*

IDEAS ON LIBERTY

DECEMBER 1966

American Federalism: Origins	George Charles Roche III	3
Interest Rates Are Rising	Hans F. Sennholz	13
Fiat Money Inflation in France	Andrew Dickson White	23
Foreign Aid: An Instrument for Progress?	Peter T. Bauer	25
The Coming Serfdom in India	Sudha R. Shenoy	35
Welfare without the Welfare State	Yale Brozen	40
Books:		
Black and Conservative	John Chamberlain	53
Index for 1966		57



THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533



"TIGHT MONEY and what it means to you".

Send for your free copy of this timely and informative article by President Joe Crail.

Individual financial security is one way to help keep our nation economically strong. A Coast Federal Savings account is designed to encourage you to save.

SAFETY

Sound, Conservative Management
Insured Savings Accounts

HIGHER EARNINGS

5.39% 5.25%

COMPOUNDED DAILY, your savings earn 5.39%
when held one year at current rate of 5.25%, paid
semi-annually, effective July 1, 1966.

CONVENIENCE

Save-by-Mail pays AIR MAIL postage both ways

COAST FEDERAL SAVINGS AND LOAN ASSOCIATION
Department F₂, 9th & Hill Sts., Los Angeles, California 90014

- ☐ Please send me a FREE copy of "Tight Money"
- ☐ I enclose my check (or money order) for \$ _____
- ☐ Please open a Coast Federal Savings account—
 - ☐ Individual
 - ☐ Joint in the name(s) of _____

NAME _____

STREET _____

CITY _____ STATE _____

6-152A



COAST FEDERAL SAVINGS
AND LOAN ASSOCIATION

- ✓ Dr. George Roche may be a new-comer to FEE's staff, but he discusses the origins of American Federalism as though he might have sat in the sessions of the Founding Fathers themselves p. 3
- ✓ For a knowing commentary on the rising trend of prices generally, and interest rates particularly, see Dr. Hans Sennholz p. 13
- ✓ Nor can we go far wrong in these perilous times to carefully review once more the classic analysis of **Fiat Money Inflation in France** by Cornell's first president, Andrew Dickson White p. 23
- ✓ Dr. Peter Bauer, London scholar, offers a provocative analysis of the failures of intergovernmental foreign aid to promote the progress promised p. 25
- ✓ And a more recent graduate from the London School, now returned to her native India, lends credence to Dr. Bauer's conclusions p. 35
- ✓ Professor Yale Brozen looks to the private practice of freedom and charity as a more hopeful path toward the pretended goals of the welfare state p. 40
- ✓ George Schuyler's autobiographical **Black and Conservative** seems to fit well into reviewer Chamberlain's way of thinking p. 53
- ✓ This year's Annual Index is specially constructed and expanded to tie the **Freeman** bound volumes in with the earlier Foundation series of **Essays on Liberty**, as explained on the inside back cover p. 57

DECEMBER 1966

Vol. 16, No. 12

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

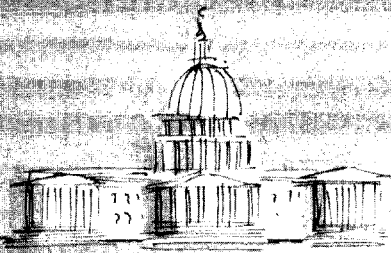
Copyright, 1966, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.



Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "Foreign Aid: an Instrument for Progress?" and "Welfare without the Welfare State."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.



AMERICAN FEDERALISM: ORIGINS

GEORGE CHARLES ROCHE III

A DISCIPLE of Confucius once asked the ancient Chinese sage what his first act would be should he become emperor. Confucius replied that he would begin by fixing the meaning of words. What he was suggesting, of course, was that labels with consistent meaning are essential for effective communication. The label to be defined in this case is "federalism," more specifically, "American federalism."

In its narrower sense, federalism refers to the division of authority and function between and among the national government and the various state governments. But it has come to possess a wider meaning in American political history. The idea of constitutional limitations of power, of both hori-

zontal and vertical divisions of power, of the representative nature of republican institutions, and of a national government strong enough to perform certain necessary tasks and yet not so strong as to become a threat to liberty, is perhaps better epitomized in its unique American historical setting by the word federalism than by any other single term. Above all, federalism in its American context conveys something of our high regard for regional, local, and individual diversity, widely varied yet capable of achieving a simultaneous national unity.

Such concepts as republican government or limited, constitutional government have come to be regarded as implying only restriction of power and seem to too many people to be entirely negative in character. The limitation of power in our republican, con-

Dr. Roche, who has taught history and philosophy at the Colorado School of Mines, now is a member of the staff of the Foundation for Economic Education.

stitutional framework is vitally important, but such concepts may be more warmly received if they are approached not only in terms of what we *can't* do politically, but also in terms of what we *can* do politically. For these reasons, and with all due apology for expecting so much from the word, let us assume this broadened meaning of the word federalism for purposes of this discussion.

In fact, American political forms are unique, partially because of the great opportunities which America has enjoyed on this continent and partially from what Daniel Boorstin has described as "a peculiar and unrepeatable combination of historical circumstances."¹ To fail to consider these unique circumstances would be, to paraphrase Edmund Burke, a failure to consider our liberties as an inheritance. That inheritance is indeed the source of our liberty and we can ignore it only at great peril. This is precisely the failing of so many among us in this present-minded, antitraditional age of the collective mentality.

Americans are not given to political abstraction. In the modern era since the French Revolution, the planners — Rousseau, Marx, and the rest — have increasingly

sought to remake society in their own image. In the face of this challenge, whether or not our present-minded, antitraditional intellectuals care to admit it, America has increasingly provided the modern world's best example not only of historical continuity but also of the benefits which stem from molding political institutions with one eye on the past. Again and again the world has learned to its sorrow that constitutions are easily written, but meaningless unless they are the product of a nation's historical experience.

Reconciliation of Freedom and Order a Continuing Problem

Man's political problem remains forever the same: the reconciliation of freedom and order. The uniquely American solution to this tension between freedom and order has been federalism, blending as it does these two contradictory elements, both so necessary for a creative society. Both the individual and his society profit when these creative forces are released by freedom and protected by order. This is another way of saying that man's creativity is enhanced by an equality of opportunity, an opportunity to be free to achieve and yet safe in his achievements.

The next problem of government centers on how to achieve this equality of opportunity

¹ Daniel Boorstin, *The Genius of American Politics* (Chicago: University of Chicago Press, 1953), p. 1.

through (or in spite of) our political processes. Alexis de Tocqueville long ago saw clearly that there are only two ways of establishing political equality: "rights must be given to every citizen, or none at all to anyone . . . it is, therefore, very difficult to discover a medium between the sovereignty of all and the absolute power of one man. . . . The Anglo-Americans are the first nation who, having been exposed to this formidable alternative, have been happy enough to escape the dominion of absolute power. They have been allowed by their circumstances, their origin, their intelligence, and especially by their morals to establish and maintain the sovereignty of the people."²

What, then, limits the sovereignty of the people? The American answer was a written constitution. The point of a constitution is to lay down fundamental principles limiting everyone, majorities as well as minorities, to playing the game by a fixed set of rules. As F. A. Hayek has phrased it: "A group of men can form a society capable of making laws because they already share common beliefs which make discussion and persuasion possible and to which the articulated rules must conform

in order to be accepted as legitimate."³

What are these rules by which Americans have traditionally chosen to play the game? What concepts did the Founding Fathers espouse? How have these concepts been applied throughout American history? These are the questions we must answer if we are to understand and apply the American tradition of federalism.

The Roots of the American Political Tradition

"A government of laws, not of men." Such was the popular slogan of the generation of Americans that produced the American Revolution. By the second half of the eighteenth century, most American colonists were convinced that the men who ran the government should be limited by law in their exercise of power. One of the leaders of the North Carolina Regulators, writing shortly before the American Revolution, made the colonial feeling quite clear: "If we are all rogues, there must be Law, and all we want is to be Governed by Law, and not by the will of Officers, which to us is perfectly despotic and arbitrary."⁴

³ F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 181.

⁴ Clinton Rossiter, *The First American Revolution* (New York: Harcourt, Brace and Co., 1953), p. 130.

² Alexis de Tocqueville, *Democracy in America* (New York: Vintage Books, 1958), Vol. I, pp. 55-56.

The two institutions through which the colonists hoped to achieve "a government of laws, not of men" were written constitutions and standing law. Though the American doctrine of constitutionalism owed a great deal to English precedents, the colonists had done much to broaden and extend the concept still further. A number of state constitutions were put into effect between 1776 and 1780 that clearly foreshadowed the Federal Constitution of 1787. Attempts at defining the specific area of governmental authority were already an old concept in America dating from the Mayflower Compact and the Fundamental Orders of Connecticut, both already on the books fully 150 years before our Federal Constitution. Most of these numerous American efforts in constitution-making also usually included specific acknowledgment of individual liberties and immunities, a concept that would eventually produce our Bill of Rights.

If Americans emphasized written constitutions, they also emphasized standing law, usually drawn from the English Common Law. This legalistic heritage simultaneously emphasized two concepts: the traditional liberties of the English subject and a strong emphasis upon the rights of property. American colonial history is

filled with the discussion and implementation of these concepts.

If Americans early displayed a strong interest in laws and institutions limiting the exercise of political authority, they also pioneered in the development of self-sustaining institutions for local government. Since colonial government was so *local*, it is natural that it varied widely from colony to colony and region to region. But with all the variations in form that were present within the colonies, one fact remains clear: the colonists were to a very large extent running their own affairs.

As Charles M. Andrews, dean of American colonial historians, has concluded: "In the development of American political ideas and social practices the influence of the popular assembly . . . is the most potent single factor underlying our American system of government."⁵ What impact did this local self-government have? In the words of Clinton Rossiter, "these institutions taught the colonists one more sturdy lesson in freedom from pomp and arbitrary power."⁶

Limited and Local Power

The colonists, then, were achieving their "government of laws, not of men," first by strict legal limitation of governmental power

⁵ *Ibid.*, p. 119.

⁶ *Ibid.*, p. 124.

and second by keeping the exercise of that power close to home. As England made its mid-eighteenth century attempt to tighten control over the colonies, the mother country violated both the ideals of limited governmental authority and local self-government, by increasing the arbitrary power of government while moving the exercise of that power further from the colonies. The colonists thought of themselves as good Englishmen, and many of them worked to maintain their political tradition while still remaining Englishmen. This is the basis of the federal system operating within the British empire that Franklin advocated in his Albany Plan of Union in 1756.

There need be no doubt of the vitality of the American tradition of federalism in colonial times. We need only compare the liberties of the individual and the strength of self-government in the English colonies of the seventeenth and eighteenth centuries with the centralization and arbitrary exercise of governmental power present at the same time in the French and Spanish colonies of the New World. Tocqueville grasped the essence of the political heritage that gave strength and validity to the American experiment: "The general principles which are the groundwork of modern constitutions, principles which, in the

seventeenth century, were imperfectly known in Europe and not completely triumphant even in Great Britain; were all recognized and established by the laws of New England: the intervention of the people in public affairs, the free voting of taxes, the responsibility of the agents of power, personal liberty, and trial by jury were all positively established without discussion. [Thus occurred] . . . the germ and gradual development of that township independence which is the light and mainspring of American liberty at the present day. . . . In America . . . it may be said that the township was organized before the county, the county before the state, the state before the union."⁷

A Revolution Prevented

When the British failed to see the colonial position, the American Revolution finally occurred. Yet in a very real sense Burke was right when he described the American War for Independence as "a revolution not made, but prevented." The radical change of the late eighteenth century was less in American self-government than in the Johnny-come-lately attempted British interference with that self-government. From the beginning of the War for Independence the colonists presented a most pe-

⁷ Tocqueville, Vol. I, p. 41.

cular aspect for revolutionaries. They appealed to tradition, the common law, British custom, colonial practice, and property rights; hardly a collection of radical ideals!

The antitraditional, present-mindedness of many modern scholars has produced a view of the American Revolution that overlooks the colonial American heritage of limited, constitutional government. Those who suggest that the American Revolution was only another egalitarian leveling process similar to the French Revolution must overlook the middle class and aristocratic leadership of the American Revolution, its respect for law and property rights, and its concern for maintaining a 150-year-old heritage of local self-government.

The attempt to make the Declaration of Independence into a Declaration of the Rights of Man amounts to little more than an attempt to misread a bill of indictment against the king, written in the language of British constitutionalism, until it is twisted into some sort of manifesto for the overthrow of the old order. It was precisely the preservation of the old order for which the colonists were striving. One of the pamphleteers of the Revolution, James Otis, epitomized this colonial stance in his *The Rights of the*

British Colonies (1764) when he advocated what might be called "revolution by due process of law." The Declaration of Independence itself attacks usurpation and centralization of authority, calling it tyranny: "He has erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance. He has combined with others to subject us to a jurisdiction foreign to our constitution and unacknowledged by our laws."

"Endowed by Their Creator"

Even though the colonists were drawing on 150 years of historical experience in asserting their position, they were also building upon that heritage to produce a very different sort of nation than the world had previously seen. This was the *real* American Revolution. For the first time in history, no authoritarian control would be tolerated in this new political order. "Men are endowed by their Creator with certain inalienable rights," the Declaration of Independence announced to the world.

If men are endowed "by their Creator" with these rights, it follows that God and not government is sovereign, and therefore that government must be without authority to interfere with "certain inalienable rights," such as self-government and sustenance; that

is, the right to freedom, and the right to property as a means of making that freedom meaningful. What the Declaration of Independence outlined was made specific in the Constitution's Bill of Rights which placed restrictions not upon the citizen but upon the government, limiting the role of governmental power over the individual citizen in some 46 specific instances.

The interim between the Declaration of Independence and the Constitution clearly foreshadowed the coming federal constitution in the development of state constitutions and the various bills of rights attached to them. The Founding Fathers derived their principles of limiting government and protecting individual rights from a belief in natural law; that is, a belief that God had ordained a framework of individual dignity and responsibility that was to serve as the basis for all human law and as the root assumption behind a written constitution.

Conforming Man's Laws to the Natural Order

Professor Edward S. Corwin's *The "Higher Law" Background of American Constitutional Law* has examined this basic American assumption in considerable detail. Such an assumption is quite different from the "consent of the

governed" theories that motivated the French Revolution and its aftermath. The difference, quite simply, is that Americans were assuming certain fixed principles that limited *anyone*, majorities included, in the exercise of their power. The Declaration of Independence has spoken of "the Laws of Nature and of Nature's God" and of a "firm reliance on the protection of Divine Providence." A few years later, the Preamble to the new Constitution was to begin, "This nation under God. . . ." Thus, the liberties of the individual were felt to be inseparable from a belief in an authority above man. Viewing America several decades later, Tocqueville agreed with the American experiment when he suggested that "liberty cannot be established without morality nor morality without faith."⁸

This deeply abiding faith in God as the ultimate source of human dignity presupposed that man was insufficient unto himself, that some abstract blueprint for a perfect society might ultimately prove disastrous even if advocated by a majority of men. So, unlike the documents of the *philosophes* and their French Revolution, the Declaration of Independence and the Constitution were firmly grounded in specific historical instances and carefully avoided the vast egotism

⁸ *Ibid.*, Vol. I, p. 12.

always evidenced by men who would remake the world.

The distinguished group of men who came together at Philadelphia in 1787 were up against the same old political problem: freedom and order. As James Wilson expressed it, "Bad governments are of two sorts—first, that which does too little; secondly, that which does too much; that which fails through weakness, and that which destroys through oppression."⁹

The Confederation period had shown the new union of states that a central government was necessary, that power was required to run a nation effectively. The Founding Fathers provided that power to establish a system which has survived repeated internal and external crises in the last 180 years.

People are fond of pointing out how much America has changed. In terms of historical continuity, it is more remarkable how much America has remained the same through two centuries of existence in a world torn with violent political upheaval. We still have a President, a Congress, a Supreme Court, and Electoral College, a network of separate state and local governments, and most of the forms passed on to us by

the Constitution. Surely, despite all our problems and despite the changes which have occurred within our system, great strength must be embodied within such a lasting framework.

The Diffusion of Power

The key to that constitutional vitality, the answer to the dilemma that all power was to be distrusted and yet had to be exercised somewhere for the nation to survive, lies in the familiar concept of "divided powers" and "checks and balances." This diffusion of power made our system a representative republic rather than a democracy. The Founding Fathers are, of course, scrupulously clear on this point, and a statement of such an assumption occurs repeatedly in both the debates of the Constitutional Convention and the later public statements of the participants.

Felix Morley has originated a valuable distinction to clarify the word "democracy." He divides the concept into *political* democracy and *social* democracy. Viewed in this light, it is clear that the innumerable roadblocks thrown up in the path of the majority by the Founding Fathers in their writing of the Federal Constitution and their creation of American federalism were not intended to set up a political democracy. Yet

⁹ James Burnham, *Congress and the American Tradition* (Chicago: Henry Regnery Co., 1965), p. 64.

America has traditionally been the land of great social mobility and individual opportunity, that is to say, a *social* democracy. Thus, the American tradition of federalism has deliberately limited the exercise of political power, not to suppress individual liberty, but to enhance it. Put another way, the very real success story of America has hinged upon the limitation of political power rather than its exercise.

This nation has been consistently hostile to monopoly power, whether social, religious, or political. The Constitution outlawed titles of nobility (social monopoly) and an established church (religious monopoly), and made a particular point of outlawing excessive centralization of political power, as for example in the Ninth and Tenth Amendments to the Constitution:

Ninth: "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people."

Tenth: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively or to the people."

The American federal system was already quite well developed by the time of the Constitutional

Convention. The thirteen colonies were separately established and by the time of the War for Independence had developed widely differing political and social customs. Only a system of federalism that recognized and protected these diversities could hope to unite the various factions and units. But that unifying effort was only one of the reasons for the American federal system. As Felix Morley explains it: "But behind the determination to keep the rights of the several states inviolate, was the even deeper determination to protect the citizens of these states from centralized governmental oppression. That is why the Republic was established not only as a federation of semi-sovereign states, but also as one of balanced authority in which it would be extremely difficult to establish a nationwide monopoly power of any kind."¹⁰

"Inefficiency" by Design

On the whole, the system has worked. The tendency of one branch of government to gather all power unto itself has usually been slowed by the inertia of the other centers of power. Critics of the system call this inefficiency, but it is an inefficiency which has

¹⁰ Felix Morley, *Freedom and Federalism* (Chicago: Henry Regnery Co., 1959, Gateway ed.), p. 9.

produced and preserved a greater productive capacity for the satisfaction of human wants and a greater area of individual freedom than any other system in the history of the world. The key to this system of American federalism has been the recognition that government is *not* the source of rights for the individual and that extension of governmental authority is therefore a potential menace to human rights.

To accept the modern statist position that the government is the source and protector of human rights is ultimately to reduce the individual to the level of a mass man, simply because it removes all qualitative distinctions between and among individual citizens. When this happens, human personality and the institutions built upon widely differing human personalities are swept away in a nameless, faceless, pointless whirl. It is just such a tragedy that the American system of federalism was designed to prevent.

In fact, American federalism has gone a good deal further than the mere structure of federalism itself requires; for example, in the horizontal as well as vertical separation of political authority. The obvious advantage of federal-

ism has rested in its ability to avoid dangers inherent in government by remote control. So long as local affairs are reserved to the greatest possible extent for the localities themselves and so long as the people are both interested in and capable of understanding and handling their own problems, then the philosopher's stone has indeed been discovered and a large measure of both freedom and order are possible.

The weakness in federalism, its susceptibility to centralization in time of crisis, is also very much in evidence. Yet in the face of this weakness, American federalism has remained tremendously successful. Again in the words of Felix Morley: "The reason lies in a simple paradox. By the adoption of arrangements strongly negative toward the power of government, the Republic has so far permitted and encouraged its citizens to act affirmatively in their own interest. Many Americans do not realize that when first attempted this political plan was extraordinary. . . ." ¹¹

One might add that all too many Americans still do not understand how truly extraordinary such a system actually is. ♦

¹¹ *Ibid.*, p. 1.

An article to follow next month will deal with the history of American Federalism.



ARE RISING

HANS F. SENNHOLZ

"INTEREST RATES are too high," complained J. Dewey Daane, a member of the Federal Reserve Board. But he added, high interest rates are "inevitable" if monetary policy is going to have to carry all the burden of fighting inflation.

In agreement with remarks made by Senator Douglas, Mr. Daane pointed out that "interest rates are high historically." Some are at the highest levels in 40 years. But Senator Douglas, vice chairman of the Congressional Joint Economic Committee, which has recommended guidelines for monetary policy and reform, warned that rising interest rates may precipitate a depression. To counter a foreign run on U.S. gold in 1931, the Senator said, the Federal Reserve twice raised interest rates "and deepened the depression. I certainly hope you don't again raise

interest rates to keep European hot money in the U.S." President Truman was reported having expressed similar fears.

These are some of the arguments that are filling the air in the political war over interest rates. What are the economic principles, if any, that affect and determine the rates? And what is the proper role of government in this important aspect of economic activity?

It is true, today's interest rates are higher than those of the recent past. Bankers acceptance rates are now quoted between $5\frac{5}{8}$ and 6 per cent, Federal funds rates between $5\frac{1}{2}$ and 6 per cent, call money lent to brokers on Stock Exchange collateral at 6 to $6\frac{1}{2}$ per cent, commercial paper $5\frac{7}{8}$ to $6\frac{3}{8}$ per cent, certificates of deposit $5\frac{1}{4}$ to $5\frac{1}{2}$ per cent. The Treasury's sale of one-year bills recently brought investors an average yield of 5.844 per cent, the highest ever recorded

Dr. Sennholz heads the Department of Economics at Grove City College, Pennsylvania.

on any Treasury bills. Corporate debentures now yield $5\frac{1}{2}$ to $6\frac{1}{2}$ per cent, first mortgages 6 to 7 per cent.

All these rates are gross market composite rates consisting of three different parts. An economist who analyzes interest rates invariably finds the following components:

- (1) originary or pure rate,
- (2) debtor's risk premium,
- (3) inflationary risk premium.

All market rates, whether acceptance or mortgage rates, certificate-of-deposit rates or debenture rates, have these components, which evidence different characteristics and flow from different sources.

Originary Rate

The originary rate or basic component flows from a psychological factor which economists call "time preference." Suppose you inherited \$1,000 and were given the choice between payment now or 10 years from now. Which of the alternatives would you choose? Or suppose you have a choice between a certain amount of cash on hand or a one-year promissory note absolutely guaranteed by the Bankers' Trust. Which is more valuable to you? In both cases you and everyone else would prefer the present good over the future good because we all discount the latter as against the former.

This difference in valuation is the source of interest. He who exchanges a present good for a future good commands a premium, called interest, because the present good is more valuable than the same good available or accessible only in the future. In the words of Böhm-Bawerk, the Austrian economist who first elaborated the causes of interest, "We systematically undervalue our future wants and also the means which serve to satisfy them. That is a sad fact—of that there can be no doubt. Admittedly, it is so to a degree varying between extremely wide limits in particular peoples, or at different stages in life or in individual men and women. We encounter it in markedly flagrant form in children and savages. In their eyes the most trifling pleasure, provided only it can be seized at the moment, counterbalances the greatest and most lasting future advantages. How many an Indian tribe, in its foolish eagerness for pleasure, has sold to the palefaces the land of its fathers, the reservoir of its means of sustenance, in return for a few barrels of 'firewater'! The same sort of action, unfortunately, can be observed in the very midst of our own highly civilized countries. The laborer who goes out on Saturday night and pours his week's wages down his gullet, only to spend the

remainder of the week starving with wife and child is, sad to say, the blood brother of those Indians! But the same phenomenon in lesser measure and in refined form is, I venture to say, something not unrepresented in the experience of any of us, not even men of the greatest prudence, the highest principles and the maturest deliberation."¹

This observation reveals that spendthrifts, who prefer present enjoyment over future provision and income, display relatively high interest rates. But even the frugal saver who is making provisions for the future is discounting the future. Considerations of the brevity and uncertainty of human life cause him to make a deduction from the value of future goods in accordance with the degree of uncertainty. Only God who lives in eternity can ignore time preference and interest.

Differing Circumstances

A related factor that gives rise to a difference in value between present and future goods is the difference between the relation of supply to demand as it exists at different points in time. If a person suffers in the present from a real or assumed lack of certain

goods, he will place a higher value on immediately available goods than on the same quantity of future goods. In cases of temporary distress or of the incidence of calamity, a farmer's crop failure or a bad fire, heavy expenses because of a death or sickness in the family, or the loss of employment, we all will place a lower value on future dollars than on ready cash which will keep us out of the worst of troubles.

This particular psychological factor explains why prosperous individuals generally manifest lower interest rates than people in want and poverty. Poor people generally display a greater willingness to borrow money for present consumption, to purchase wanted goods "on installment," than the thrifty individual who refuses to burden his future with present consumption.

It also explains why American interest rates tend to be much lower than the rates in other countries, especially in the undeveloped areas of the world. Where people are dying from want and starvation, as in Asia and Africa, present consumers goods are selling at a great premium over future goods, saving for the future is painfully difficult, and little capital is formed. If their central banks, or sometimes even commercial banks, nevertheless post rates in

¹ *Capital and Interest*, Vol. II. (South Holland, Illinois: Libertarian Press, 1959), pp. 268, 269.

line with American and European rates, they are deceiving the public. At the present the central bank of India is quoting 5 per cent, Burma 4 per cent, Ceylon 4 per cent, Tunisia 4 per cent, Egypt 5 per cent, El Salvador 4 per cent, Honduras 3 per cent, and so on. But the going rates of time preference in these poor countries probably lie between 20 and 50 per cent, which makes the stated rates fictitious and meaningless. No capital other than U.S. foreign aid, which the beneficiary governments usually appropriate to themselves, can possibly be offered at posted rates so far below the general time preference rates.

Debtor's Risk Premium

Another component part of the gross market rate quoted in credit transactions flows from the risks involved in every loan. In every act of lending there is an element of entrepreneurial venture. A credit transaction is always an entrepreneurial speculation which can possibly result in failure. The lender may lose a part or the total amount lent. This is why every interest stipulated and paid in loans includes not only ordinary interest but also a risk premium which is entrepreneurial profit.

There is a broad structure of interest rates for loans of different types and of varying maturities.

U.S. government securities usually yield the lowest return because they are believed to carry the lowest risk to the lender. The high degree of safety and marketability and the short maturity make the 90-day Treasury Bill desirable as a reserve for banks and for temporary employment of surplus funds by corporations. Federal funds probably rank next in the degree of safety. Broadly defined, they are sight claims on the Federal Reserve Banks consisting of balances maintained with the Reserve Banks by member banks.

Bankers' acceptances also enjoy a high degree of safety, and consequently carry a low entrepreneurial risk premium in their gross market rates of interest. They are drafts drawn by individuals or business firms on a bank which "accepts" the drafts and thereby becomes the principal debtor. Also commercial paper, which consists of generally unsecured one-name promissory notes of well-known business concerns with strong credit ratings, enjoys a similar reputation of safety and marketability.

And finally, near the bottom of the list of loans of different types and of varying maturities, entailing the greatest entrepreneurial risk and potential profit or loss, are various consumer loans to debtors without assets or known

credit ratings. This is why such debtors may pay gross interest rates of 12 per cent or more on installment loans for the purchase of new automobiles, television sets, refrigerators, and the like.

In every loan there is an element of entrepreneurial venture which acts upon the gross market rate of interest. The differences in the degree of loan risk explain not only the broad structure of interest rates in the United States, but also the much higher rates that prevail abroad. In addition to the higher originary rates mentioned above, the risk in other countries with less favorable business climates greatly exceeds ours. Where business honesty is rare, or private property is in constant jeopardy, where socialistic governments seize and confiscate private wealth or freeze it in blocked accounts, the entrepreneurial risk is very great and gross rates of interest are very high. This is why few American money lenders would accommodate a borrower in China, Russia, Cuba, Egypt, India, or the Congo at a loan rate of even 50 per cent.

Inflationary Risk Premium

In recent decades the gross market rate of interest has acquired yet another component: an inflationary risk premium. Professor Mises calls it "the price premium"

(*Human Action*, p. 538 *et seq.*). Federal Reserve Governor Daane unwittingly referred to this premium, which has been rising steadily in recent decades, when he observed that "interest rates are high historically."

Whenever the monetary authorities resort to inflation and credit expansion and consequently goods prices start to rise, the gross rate of interest tends to adjust to the monetary depreciation. That is to say, whoever expects a rise in prices is ready to allow a higher compensatory gross rate than he who expects no increase in prices. On the other hand, the lender who expects inflation will grant no loan unless he is compensated for the loss in the purchasing power of his capital. The expectation of rising prices thus makes the gross rate of interest rise, while an expectation of falling prices would make it drop. The inflation premium comes into existence when many people begin to buy in order to take advantage of the inflationary trend.

The rate of premium is determined by the expected rate of monetary depreciation. If this rate is assumed to be 2 per cent, the gross market rate of interest will rise by 2 per cent. If prices are expected to double because of monetary depreciation, the inflationary risk premium will amount

to 100 per cent, and the gross market rate of interest will soar even higher.

Government Intervention

This characteristic of the price premium makes the gross rate of interest highly volatile and erratic, which has given rise to considerable confusion. Some writers on economics even deny the validity of any logical interdependence, believing that the interest rate directly springs from government policies and manipulations. Still others blame bankers and money lenders for any upward move of the market rate.

Serious students of economics are convinced that the chief reason for the upward surge of American interest rates in recent years has been the rampant 1961-1966 inflation which caused most prices to rise and the price premium to emerge. Central bank credit was expanded from \$29.1 billion on December 31, 1960, to \$43.9 billion at the end of 1965. At the present (September 5) it stands at \$45.2 billion. Except for the World War II inflation, this has been the most phenomenal expansion of our currency since the Civil War. Consequently, goods prices have been rising sharply. The consumer price index has been hitting high after high in practically every month.

Managed Currency

Stable monetary conditions are of the greatest importance to the steady development of business and banking. When currency and credit begin to fluctuate, an element of uncertainty is injected into both domestic and international business with disruptive effects on all phases of economic life. The erratic movements of the gross market rates of interest create a great degree of uncertainty and often signal the coming of a business recession.

Managed currency aims at influencing business conditions by means of the monetary powers of the Federal government. Money and credit become instruments for executing economic, fiscal, and social policies of the government, which usually aim at creating and prolonging a feverish boom. The monetary policies of the Great Society Administration were very successful in kindling a long and boiling boom through accelerated currency and credit expansion. The price we all must pay now for this popular policy is monetary depreciation and rising interest rates.

The discount rate is one of the instruments of currency management. It is the rate of interest charged by the central bank — the Federal Reserve System — on loans to member banks. At the present

this rate stands at 4.5 per cent on advances secured by government obligations and discounts of, and advances secured by, eligible paper.

Realistic Rates, or Not?

It makes no sense to speak of "high" or "low" discount rates. We can conceive only of rates that are below the market rate, or concur with this rate, or are above the rate established by the capital market. If the Federal Reserve sets its discount rate below the unhampered market rate the demand for its accommodation will rise, which will cause the Federal Reserve to inflate its volume of discounts and advances. That is to say, if the gross market rate stands at 5 per cent and the Federal Reserve discount rate at $4\frac{1}{2}$ per cent, the latter will be inflationary as it induces member banks to borrow newly created central bank funds. If, in a run-away inflation, the gross market rate of interest should rise, to let us say 100 per cent, any discount rate below 100 will be inflationary. During the 1923 run-away inflation of the German Mark the Reichsbank charged 95 per cent and yet rapidly inflated the German currency through its discount instrument.

If the central bank establishes a discount rate that concurs with

the market rate, no demand for its funds can possibly develop as the market funds offered will equal the market demand. In fact, such a discount rate forces the central bank into inactivity, which may conflict with its avowed goal of currency management and boom policy.

If, finally, the central bank should set a discount rate that lies above the market rate, the situation will be similar to the one just described. But in case the member banks were indebted to the central bank because of prior discount expansion, a reflux of funds to the central bank will develop, which is tantamount to deflation. After long periods of inflation central banks have occasionally conducted deflationary policies through discount rates that lay above the market rates.

There is no indication that the $4\frac{1}{2}$ per cent discount rate presently in effect lies above the market rate. In fact, the volume of Federal Reserve discounts and advances to member banks swelled from \$490 million at the end of 1965 to \$719 million at the end of August, 1966. This expansion of Federal Reserve credit through the discount instrument proves the $4\frac{1}{2}$ per cent discount rate to be inflationary. Although it is admittedly higher than at any time during the last 35 years, it nev-

ertheless lies below the market rate.

Moreover, the present discount rate is probably much more inflationary than the modest expansion of Federal Reserve discounts seems to indicate. Instead of raising its rate to the market equilibrium rate, e.g., 6 or 7 per cent which would be very unpopular and conducive to political repercussions, the Federal Reserve System now relies on "moral suasion" to manage the credit demand. That is to say, the central bank discount rate has lost its former significance to "moral suasion" which constitutes "qualitative" credit control. Our monetary authorities prefer an inflationary discount rate; but when credit demand swells to embarrassing proportions, they regulate and allocate their own inflationary funds through "moral suasion," that is, distribute them to favored borrowers. In the words of William McChesney Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System: "As a tool of credit regulation, moral suasion in its narrowest meaning can be taken to refer to purposeful influence on credit extensions by the banking and monetary authorities through oral or written statements, appeals, or warnings to all or special groups of lenders. Generally speaking, such influence

is exercised through policy statements released through the press and other publications, correspondence, speeches, and testimony before Congressional Committees. Moral suasion, however, can also be said to embrace what is sometimes called direct action and direct contacts with individual banks or other financial institutions."²

The "Federal Funds" Rate

Because of the discount rate's loss of significance, we now look on the Federal funds rate as a revealing indicator of actual monetary policy. The term "Federal funds" refers to the amount of reserve balances the individual member banks have in excess of legal requirements and are willing to lend to banks deficient in reserves. Deals in Federal funds are day-to-day loans between banks made through the transfer of reserve balances on the books of the Federal Reserve banks. The Federal funds rate is the rate paid by banks for the use of such reserves. It is published daily by such newspapers as the *Wall Street Journal* under the heading "Money Rates."

In recent weeks this Federal funds rate has fluctuated wildly between 1 and 6 $\frac{3}{8}$ per cent, indi-

² Marcus Nadler, Sipa Heller, and Samuel S. Shipman, *The Money Market* (New York: The Ronald Press Co., 1955), p. 166.

cating a nervous and erratic monetary policy. But mostly the rate has hovered around 6 per cent, pointing at a money market similar to that of 1929, prior to the infamous stock market crash.

Interest Rates in Boom and Bust

We need not here emphasize that the rapid inflation of money and credit during the last six years has initiated the trade cycle with all its phases from boom to bust. We have enjoyed a long and pleasant boom. In the terminology of our central planners, the annual rate of gross national product gained 10 to 20 billion dollars every quarter. The increase is expected to bring GNP soon to an annual rate of more than \$700 billion. This gain, according to the Commerce Department, indicates a business expansion which in its sixth year "has already become the longest expansion of the post-war period."

A mere glance at some monetary reports immediately reveals the secret of the Great Society boom. Total commercial bank credit (loans and investments) has risen at an 11.5 per cent annual rate. Loans have risen at a 17.3 per cent rate. Since the beginning of the Kennedy-Johnson era, the American money supply plus time deposits has risen 8.8 per cent annually, and the supply of Federal

Reserve currency approximately 10 per cent annually. It is obvious that the boom was built on inflation and credit expansion.

The boom causes economic malinvestments and maladjustments. The money and credit expansion artificially lowers interest rates, falsely indicating growing supplies of savings and genuine capital. This falsification of interest rates causes many a businessman to embark upon expansion and modernization projects. The boom is born from illusion and lives on more illusion through ever-increasing supplies of money and credit. When goods prices begin to rise on account of this inflation, the gross market rate of interest must adjust upwards to allow for the price premium. But in addition, the feverish boom activity at rising prices and costs augments the demand for working capital of nearly every enterprise. Interest rates soar unless the central bank feeds the boom with ever larger injections of money and credit. In this case the boom accelerates, goods prices soar, and the price premium in the gross market rate of interest continues to climb.

If the currency is not to be destroyed completely, the inflation must come to an end. But when the monetary authorities finally refrain from further currency expansion, the readjustment, i.e., re-

cession, necessarily sets in. Also, in this case, interest rates ascend because of spreading uncertainty and fear. In periods of crisis and crash the gross market rate may no longer embody an inflationary risk premium, but usually is magnified by the entrepreneurial component here called "debtor's risk premium." Only when the economy has completed its readjustment to market data, and the disastrous effects of previous inflation have been alleviated through new capital formation, does the gross market rate of interest return to "normal."

Other Controls the Government May Try

It seems improbable that present monetary authorities would deliberately invite readjustment or recession rather than return to full-speed inflation. Without inflation, the Great Society would immediately sink into deep depression under the growing burden of government. It is true, the present rate of inflation of approximately 10 per cent annual currency and credit expansion may not suffice to sustain a boiling boom, which may cause it to falter occasionally. But accelerated inflation might restore it again temporarily. Of course, if the Great Society Administration should decide to repeat the dread-

ful blunders of the Roosevelt New Deal, if it should continually raise business taxes and deliver American business into the lethal grip of hungry labor unions, anything may happen.

Accelerated inflation may be accompanied by new government controls that aim at fighting the inevitable inflation symptoms. Besides a "price stop" one might expect various credit controls designed to prevent the flow of inflation funds to certain individuals and direct it at others, especially the government and its favored groups. Toward this end the Federal government may resort to the following credit control instruments: (1) further restrictions of security loans, (2) further increases in margin requirements, (3) suspension of the borrowing privilege of individual banks from their respective Reserve banks, (4) further limitation of eligible paper, (5) stringent control of consumer credit, (6) control of real estate construction credit, and (7) more moral suasion.

Under such controls the interest rates, which are manifestations of the market order, are replaced by official credit allocation and rationing. Of course, the interest phenomenon, which flows from the very nature of man, cannot be suppressed. ◆

Editor's Note: The course of current financial affairs in the United States, as in most of the world in 1966, calls for reviewing once again Andrew Dickson White's classic analysis of fiat money inflation in France at the time of the French Revolution. The noted historian and diplomat was serving as the founder and first president of Cornell University when he first delivered the paper as a lecture in 1876. He revised and enlarged it in 1912.

In an introduction to a 1959 edition of White's essay, Henry Hazlitt notes that "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. . . .

"But just as the French of 1790 had failed to learn the lessons of the inflation of seventy years before, in John Law's time, so the present-day world has failed to learn the lesson of the assignats."

The following excerpts from *Fiat Money Inflation in France* are but samplings. The full story is available in the 124-page booklet from the Foundation for Economic Education, Irvington-on-Hudson, New York, 10533. \$1.25 paper; \$2.00 cloth.

FIAT MONEY INFLATION IN FRANCE

ANDREW DICKSON WHITE

WHENEVER any nation intrusts to its legislators the issue of a currency not based on the idea of redemption in standard coin recognized in the commerce of civilized nations, it intrusts to them the power to raise or depress the value of every article in the possession of every citizen. . . .

The question will naturally be asked: *On whom did this vast depreciation mainly fall at last?* When this currency had sunk to about one three-hundredth part of its nominal value and, after that, to nothing, in whose hands was the bulk of it? The answer is simple. I shall give it in the exact words of that thoughtful historian from whom I have already quoted: "Before the end of the year 1795, the paper money was almost exclusively in the hands of the working classes, employees and men of small means, whose property was not large enough to invest in stores

of goods or national lands. Financiers and men of large means were shrewd enough to put as much of their property as possible into objects of permanent value. The working classes had no such foresight or skill or means. On them finally came the great crushing weight of the loss. After the first collapse came up the cries of the starving. Roads and bridges were neglected; many manufactures were given up in utter helplessness." To continue, in the words of the historian already cited: "None felt any confidence in the future in any respect; few dared to make a business investment for any length of time, and it was accounted a folly to curtail the pleasures of the moment, to accumulate or save for so uncertain a future." (Von Sybel, *History of the French Revolution*, vol. iv, pp. 222-338)....

Just as dependent on the law of cause and effect was the moral development. Out of the inflation of prices grew a speculating class; and, in the complete uncertainty as to the future, all business became a game of chance, and all businessmen, gamblers. In city centers came a quick growth of stockjobbers and speculators; and these set a debasing fashion in business which spread to the remotest parts of the country. Instead of satisfaction with legitimate profits, came a passion for in-

ordinate gains. Then, too, as values became more and more uncertain, there was no longer any motive for care or economy, but every motive for immediate expenditure and present enjoyment. So came upon the nation the *obliteration of thrift*. In this mania for yielding to present enjoyment rather than providing for future comfort were the seeds of new growths of wretchedness: luxury, senseless and extravagant, set in. This, too, spread as a fashion. To feed it, there came cheaterly in the nation at large and corruption among officials and persons holding trusts. While men set such fashions in private and official business, women set fashions of extravagance in dress and living that added to the incentives to corruption....

Thus was the history of France logically developed in obedience to natural laws; such has, to a greater or less degree, always been the result of irredeemable paper, created according to the whim or interest of legislative assemblies rather than based upon standards of value permanent in their nature and agreed upon throughout the entire world. Such, we may fairly expect, will always be the result of them until the fiat of the Almighty shall evolve laws in the universe radically different from those which at present obtain. ♦

FOREIGN AID

AN INSTRUMENT FOR PROGRESS?

PETER T. BAUER

FOREIGN AID is clearly not a necessary condition of economic development. This fact is obvious from the history of the developed countries, all of which began poor and have invariably progressed without government-to-government aid. It is clear also from the history of many underdeveloped countries — Hong Kong, Japan, Malaya — which have advanced in recent decades without foreign aid.

Nor is foreign aid a sufficient condition of economic advance or even a generally effective force in its promotion. Indeed, its failure to advance living standards in poor countries after more than a decade

of its operation is recognized in current discussions which emphasize the continued low living standards in the recipient countries and insist on the need for indefinite continuation of aid at present or higher levels.

India is perhaps the most familiar example. Thirteen years after the beginning of Western aid and the inception of the five-year plans, the country experienced in 1964-65 the most acute of its recurrent, almost annual, food and foreign exchange crises. For a long time advocates of foreign aid to India, Professor Walt W. Rostow among many others, insisted that the turning point was just around the corner, and that after only an additional limited injection of aid the country would reach "self-sustaining growth"—to use the popular, though largely meaningless, catch phrase. For years now India has been depend-

Peter T. Bauer is Professor of Economics (with special reference to Underdeveloped Countries and Economic Development) in the University of London at the London School of Economics.

This article is condensed and reprinted by permission from *Two Views on Aid to Developing Countries*, by Barbara Ward and Professor Bauer, published as Occasional Paper 9 by The Institute of Economic Affairs, Ltd., Eaton House, 66A Eaton Square, London SW1, 1966 (Seven shillings and sixpence).

ent on large-scale foreign aid and gifts of food, without which there would have been mass starvation in 1964-65. External dependence has now come to be taken for granted. Algeria, Burma, Ceylon, Indonesia, and the United Arab Republic are among other countries with acute domestic economic difficulties after prolonged foreign aid.

Analogy with Marshall Aid

Marshall aid to Western Europe is often instanced in support of the potential value of foreign aid to poor countries. Its experience suggests the exact reverse. The economies of Western Europe had to be *restored* while those of present recipients have to be *developed*. Europe after 1945 was demonstrably short of capital resources, especially stocks of food and raw materials, but not in the necessary human resources and market opportunities. Its peoples had the attitudes, motivations, and institutions favorable to development, as was clear from the performance of Western Europe for centuries before the Second World War. This distinction explains the rapid return of prosperity to Western Europe (in spite of the inflow of millions of refugees into West Germany and the continued dismantling of plants for reparations superimposed on war-time destruc-

tion), and the termination of the Marshall aid program in four years. Almost all the aid represented the cost of food and raw materials and was essentially an emergency program. The contrast with the economic plight of India, and of many other recipients of aid after a much longer period, is clear.

The difference in effectiveness between Marshall aid to Western Europe and foreign aid to poor countries is also recognized by the widely-held assumption that aid to poor countries must be continued for many years to come.

The large-scale expenditure by the United States government on the surviving Navajo Indian population (a large group with a territory of its own) may appear more relevant to the assessment of foreign aid than is the Marshall plan. Very large sums, amounting to thousands of dollars a head, have been spent in an unsuccessful attempt, extending over decades, to improve the material position of these Indians. This experience reinforces the conclusion suggested by more than a decade of foreign aid to poor countries: foreign aid is not a sufficient condition of development, and is indeed unlikely to promote it substantially. If a poor country has failed to develop without aid, its provision alone is unlikely to lead to development.

Poverty and Pauperization

The flow of sustained indefinite aid implies an obvious and yet widely ignored danger—the pauperization of the recipients. A pauper is one who relies on unearned public assistance, and “pauperization” accordingly denotes the promotion and acceptance of the idea that unearned doles are a main ingredient in the livelihood of nations. This danger of foreign aid is reinforced by the practice of linking it to the balance-of-payments difficulties of the recipients. Foreign aid and its relation to these payments crises clearly undermine the status and prestige of the self-reliance required for material progress.

This danger of pauperization which derives from the advocacy and flow of aid is enhanced by the prevalence in many underdeveloped countries of certain attitudes and customs, notably the recognized status of beggary and the absence of social stigma in the acceptance of indiscriminate charity which is conspicuous in South Asia. Indeed by now the pauperization of some major recipients of aid is a reality rather than a danger. The recent economic history of India can be summed up as progression from poverty to pauperism.

The likelihood of the pauperization of the recipients is increased

when the gifts are indiscriminate or unconditional on efforts by the recipients to improve their position. This applies to the operation of foreign aid. The advocates, administrators, and recipients of aid insist that it should be given without strings on the policies of the governments or the economic conduct of the population. The only significant exceptions are the preferential treatment of countries in balance of payments difficulties or governments engaged in comprehensive development planning. As I shall argue, these conditions will not improve the prospects of recipients becoming independent of external assistance.

External Grants and the Growth of Resources

The contrasting experience of the rapid success of Marshall aid and the ineffectiveness of prolonged aid to poor countries is ultimately related to differences between the impact of resources provided in the form of aid and that of resources produced locally or obtained in exchange for the current or expected proceeds of local production. When resources are both generated and used locally, the required conditions for further economic development are likely to be present in the form of suitable human qualities, social institutions, and economic opportunities.

Building up resources (in which formal education may or may not play a part) both requires and advances social and economic processes that serve to develop qualities, attitudes, arrangements, and institutions, the presence of which promotes the effective use of the resources generated. When, however, the increase in the resources takes the form of the inflow of free or subsidized aid from abroad, the essential process of generating them is lost.

Here, as in many other spheres of human life, time, experience, and perhaps other qualifications and requirements of achievement, cannot be bought. A social process cannot be telescoped without affecting both its nature and the outcome of the process. And we are not discussing machines, pieces of equipment, but human society or, more often, collections of societies. Development is indisputably a social process requiring much more than the provision of money from abroad.

The Impact of Aid

When foreign aid is given by one country to another, it is received not by the people, but by the government: it does not go to individuals or firms in the private sector, but to the central government. This necessarily in-

creases the weight of the government in the economy, which in turn must increase the concentration of power, even if the recipient government does not intend this result. And if, as often happens, the government does wish to extend its power, the increase in its resources helps it to do so, chiefly but not only by extending the public sector and by enabling the government to control the economy more closely.

These effects are enhanced by the influential support or even pressure in the donor countries for comprehensive development planning and compulsory saving by the recipient countries, i.e., for government determination of the direction of economic activity outside subsistence agriculture and for special taxation to finance government expenditure. These policies have come to be regarded in the donor countries as a condition of economic development in poor countries, and their adoption by recipient countries is accordingly considered as an earnest of their intention to promote it. This belief is unfounded. The historical evidence both of developed countries and of underdeveloped countries suggests more nearly the reverse. Development planning was not used in the early history of the now developed countries of the West. Nor was it employed in

the many underdeveloped countries which progressed rapidly in recent decades, such as Japan, Hong Kong, Malaya, Thailand, and a number of African and Latin American countries. Only in the Soviet economies is it an essential element of economic organization, and the texture of these societies reflects its pervasive effects.

However, comprehensive development planning has been specified as a criterion or even as a condition for the receipt of aid by some of the most influential advocates and administrators of American aid, including Professors Max F. Millikan, Walt W. Rostow, and John P. Lewis. It was also specified as a condition of aid in President Kennedy's special message on this subject in 1961. In various aid programs, including those of American aid to India and Turkey, the flow of aid is closely linked to comprehensive development planning.

Moreover, the amount of aid is often geared to the shortfall of resources required for the plan, particularly as reflected in the balance-of-payments difficulties of the country. This criterion not only encourages, or even forces, the governments to engage in comprehensive development planning but also encourages them to make their plans as ambitious as pos-

sible. The governments are thus induced to pursue, or at least not discouraged from pursuing, an inflationary policy which eventually brings about balance-of-payments difficulties (under the prevailing system of fixed exchange rates). Balance-of-payments crises in turn serve as an effective basis for an appeal for aid.

Thus we have a situation in which aid depends on a means test, and the absence of means is regarded as a result of laudable endeavor. The link between foreign aid and payments difficulties is an important specific influence in the direction of the pauperization of the recipients of aid which I have already noted as a general danger of foreign aid. It is hard to think of a more effective way of discouraging self-reliance.

These are among the reasons why foreign aid promotes and intensifies the control of recipient governments over the economic and social life of their countries.

The Instruments of Control

The principal elements of comprehensive economic control in underdeveloped countries are familiar. They include: a large public sector and heavy taxation; the establishing of trading monopolies, including state trading monopolies in agricultural exports; extensive licensing of industrial and com-

mercial activities; and the establishment of many government owned and operated enterprises, including state sponsored, organized, and run cooperatives.

These measures are often accompanied by substantial expropriation of private property in many underdeveloped countries of Asia, Africa, and the Middle East, notably Algeria, Burma, Ceylon, Indonesia, Syria, and the United Arab Republic (and to some extent India). And compulsory collectivization of much of agriculture is a common feature in countries as different as Algeria and Indonesia.

In addition, economic controls extend to close surveillance of outside economic contacts. External trade, capital movements, and immigration are closely controlled and restricted by most if not all recipients of aid. These flows usually serve as vehicles not only of physical commodities and financial transactions, but also of new ideas, crops, methods of production, wants, and attitudes. Perhaps most important, they can engender a new outlook toward material progress.

Some Economic Repercussions of the Flow of Aid

Some advocates of aid may not like the kind of society which emerges from their recommendation, but they nevertheless accept

it as the price of rapid development. They might, so to speak, be ready to trade some or even much freedom and security of person and property for an increase in the flow of goods and services. They might support the policies outlined above in the belief that they promote economic progress. But do they?

The drastic policies often pursued in the name of comprehensive development planning, and promoted by foreign aid, do not augment resources: they only centralize power. Nor do they promote or strengthen the human qualities, attitudes, and social institutions conducive to progress. Indeed, as I have already suggested, for a number of reasons they are much more likely to obstruct than to promote the emergence and growth of such attitudes and institutions.

The enlargement of the resources and power of the government does, of course, enable it to expand some industries and sectors by a transfer of resources from other uses, perhaps even quickly and on a large scale. But this power does not in the least ensure development in the sense of an increase in the total flow of goods and services, let alone in those which make up general living standards, as is amply clear from the experience of centrally planned economies over the last

few decades. Only too often increased activity and expanded industries are treated somehow as a net gain, a net addition to output, irrespective of the level of demand for the product and without regard to costs in terms of alternative uses of resources.

The government can also easily enough restrict consumption and increase investment expenditure. However, this objective could be achieved without close control of the economy by such means as a budget surplus or the encouragement of private saving and investment. Moreover, an increase in investment expenditure, especially in public expenditure made possible by high taxation or the imposition of direct controls, does not guarantee economic progress. It only ensures reduced living standards now without ensuring higher living standards later. In this effect it is somewhat similar to foreign aid, which certainly impoverishes the donors without necessarily enriching the peoples of the recipient countries.

Investment Expenditure and Economic Development

Government policies and public discussions on this subject are pervaded by the widely prevalent investment fetish, the belief that economic development depends essentially on investment, which is

assumed to be highly productive. But a piece of expenditure does not become productive by being termed investment, in the sense of any expenditure other than on current consumption. There is no assurance that it will increase the total flow of goods and services compared with alternative uses of the resources, let alone that it will improve living standards. And in considering the net result of an increase in investment, it is necessary to examine the various repercussions of the collection of the funds and of other measures introduced to increase investment, especially government investment. For instance, the additional taxation or the restriction on the production or import of consumer goods required by the increase in investment often discourages or even prevents subsistence farmers from producing for sale. And investment can be productive only if it is embodied in physical capital combined with complementary human resources operating in an appropriate institutional setting and producing output for which there is an effective demand. In many different ways investible funds supplied by foreign aid are not complementary to local resources in the promotion of economic development in the sense of increasing their productivity.

It is by no means certain that

foreign aid does increase investment in the recipient countries. The various repercussions which I have already noted, particularly the imposition of extensive controls and higher taxation and the pursuit of inflationary policies which bring about payments difficulties, may serve to reduce private investment, notably direct investment in agriculture. Moreover, both the flow of aid and its method of operation encourage and enable the recipient governments to discourage the inflow of private capital.

Foreign Aid and Private Capital

Foreign aid is likely to discourage the recipient governments from securing capital on market terms, which from their point of view may be both unprofitable and politically unwise if foreign aid is available, i.e., if investible funds are available gratis. And indeed, almost all recipients of foreign aid restrict the inflow and deployment of private foreign capital. During the last decade or so these restrictions have increasingly developed into expropriation of foreign capital, often accompanied by the expulsion of the owners and their employees. Examples abound in Africa and Asia. Governments which clamor for foreign aid because of lack of capital nevertheless severely restrict and circum-

scribe the inflow and operation of private capital.

Certain aspects of foreign aid, especially the criteria of allocation, have even encouraged the flight of private capital from the recipient countries. The donors encourage the recipient countries to impose extensive controls in the name of development planning. And as we have seen, they are also encouraged to pursue inflationary policies, since the amount of aid often depends on the payments difficulties of these countries. These policies engender a widespread feeling of insecurity, which in turn discourages the local population from saving and investing, and encourages the export of capital. Although capital exports are banned throughout practically the whole of the underdeveloped world, they are difficult to prevent. As a result, the inflow of foreign aid is matched by an outflow of both domestic and foreign private capital. And the outflow is of capital likely to be more productive than foreign aid funds, because its deployment is geared much more closely to local conditions, especially to consumer demand and to the supply of co-operant factors.

The Performance of Governmental Functions

I have just noted that the preoccupation with aid, investment,

and development planning has served to divert attention from more important factors in development which are influenced by government policy. This same preoccupation has also served somewhat paradoxically to bring about a serious neglect of essential tasks of government. Governments seem anxious to plan but unable to govern. The neglect extends to such familiar and essential tasks as the maintenance of law and order, the effective management of the monetary and fiscal system, and the provision of basic transport and educational facilities. Indonesia is only one of the several poor countries where the government cannot maintain law and order but tries to control the economy closely.

The proliferation is familiar of heavily subsidized state airlines, steel mills, and industrial plants in African and Asian countries with illiterate populations whose activities are restricted by customs and institutions adverse to material progress. In India, with a huge illiterate and caste-bound population, the development expenditure on elementary education under the second five-year plan was less than one-half the cost of each of the three steel plants in the public sector under that plan. The administration of Hong Kong is one of the exceptions to the in-

clination of governments of underdeveloped countries to neglect essential functions (including the maintenance of law and order) while attempting closely to control social and economic life. This emphasis on government functions partly accounts for the rapid progress of that country. Indeed, Hong Kong is being gradually omitted from the category of underdeveloped countries in much the same way as Japan.

Framework of Law and Order

The promotion of a suitable institutional framework for the activities of individuals conducive to economic development is a task which few governments of underdeveloped countries have attempted to solve. In this sphere the activities of the recipients of foreign aid are largely confined to the expropriation of politically weak and unpopular classes (such as landowners, ethnic minorities, or successful traders) in the name of land reform, social justice, or the removal of exploitation, regardless of the repercussions of these measures on economic development or general living standards. Institutional changes favorably affecting the determinants of economic progress and thus promoting material advance are generally neglected.

Altogether the policies, atti-

tudes, and outlays encouraged by foreign aid tend to lead to expenditures more likely to retard than to promote material advance. This applies both to foreign aid funds and to domestic resources whose deployment is diverted from uses more likely to lead to material progress.

Human Progress

In conclusion, I return to my main theme. Material progress depends primarily on the development of suitable human qualities, attitudes, and social institutions, and not on the inflow of external grants of money. Foreign aid does not affect the major factors behind the material backwardness of underdeveloped countries; the continued poverty of the recipient countries is therefore not surprising. The policies of the recipient countries have on the whole served to retard or obstruct possible ad-

vance. And while many of them would probably have been pursued even without foreign aid, its operation has encouraged and reinforced them, generally by the supply of funds and personnel and more specifically by the criteria of allocation. The suggestion that the peoples of the recipient countries are likely to be damaged by large-scale gifts to their governments is paradoxical and requires drastic readjustment of ideas. But I believe it is true, and that such a readjustment is accordingly necessary. The longer this readjustment is delayed the more difficult it becomes, both because of the entrenchment of vested political, administrative, financial, and intellectual interests, and because of the magnitude of the costs already incurred. The greater the sacrifices, the more difficult it is to question the principles in the name of which they have been imposed. ♦

THE FREEMAN on Microfilm

An agreement has been entered with University Microfilms to make available to libraries and others who may be interested current as well as back issues of **The Freeman** since January 1956. Inquiries should be directed to University Microfilms, 313 N. First Street, Ann Arbor, Michigan 48107.

The coming Serfdom in India

SUDHA R. SHENOY

THE MAJOR issue that divides liberals (advocates of liberty) from "liberals" (statists) is the question of the importance of economic freedom. As the statist sees it, economic freedom is the "freedom" of the few to exploit the many. The right to vote, on the other hand, is common to all men. Hence, for statists, the dividing line between democracies and dictatorships is drawn in answer to the question: Are elections free or not? But it will be noticed that totalitarianism is the implicit criterion here: any situation which is not yet totalitarian would be described as "free" by the statist.

As the true liberal sees it, freedom is indivisible. Hence, measures ostensibly aimed at the weak political minority of businessmen will in fact only prevent the market process from functioning as

well as it might have done, and will confer on some people—i.e., politicians and administrators—a power over their fellow men otherwise exercised by no one; a power deriving from this group's ability to determine, *de facto* though not *de jure*, the uses to which resources may be put. This power, the liberal affirms, is of entirely another nature from the "power" alleged to be exercised by businessmen operating in a market context. Control over resources by businessmen is not only scattered among a much larger group of individuals; these businessmen themselves are in effect simply the agents of their fellow men in determining the use of these resources, via the market process of profit and loss. But where economic power is concentrated in the hands of a *politically* selected group, the chances for the emergence and establishment of a political opposition are precarious,

Miss Shenoy, recently graduated from the London School of Economics, B.Sc. (Economics), hopes to enter university teaching in India.

to say the least. The statist overlooks the necessity for independent sources of material support for a political opposition; even though *some* opposition may seem to be present, the real criterion is the range of different views that would have emerged if economic power had not been so concentrated. In other words, freedom is more than one value among others; it is rather the foundation for a whole social order. Intervention embodies a principle that is diametrically opposed and must lead to the destruction of this social order (where it exists) and the establishment of an order founded on the principle of political exploitation: the politically strong exploiting the politically weak. In short, intervention leads to the suppression of *potential* political opposition and thus ends in totalitarianism.

India as an Oligarchy

This abstract and theoretical argument is vividly illustrated by the experience of India. Most statist regard India as an excellent example of economic planning combined with democracy. It would perhaps be more accurate to describe India as an oligarchy — in the Aristotelian sense of government of, for, and by the rich. These rich, however, unlike those who earn high incomes in a free

market by supplying their fellow men's needs, have obtained their wealth via the very instruments of planning — permits, licenses, quotas, concessions, and contracts. In the first place, virtually all investible resources — i.e., savings and foreign aid — are forcibly drawn (via capital controls and taxation) into the preferred "industrial" sectors, both private and public. The industrial output thus artificially produced adds nothing to the flow of goods and services for the starving, ill-clothed, and unsheltered Indian masses — but those businessmen, civil servants, and others sharing in this forced expansion obtain high incomes (legal and illegal). Hence, we see that the output of coarse cotton bought by the masses has expanded the least, while the output of rayon — a luxury in India — has multiplied by *twenty-one* times over the last 15 years and three five-year plans.¹

In the second place, even this private industrial sector is very closely controlled by a minutely

¹ The growth of the agricultural sector (from which 50 per cent of the national income is derived and which provides 70 per cent of total employment) is held down by yet another piece of interventionism: moneylenders' legislation. This forbids the pledging of land, though this is virtually the only pledgeable asset of the farmer, sets ceilings on the interest rates legally chargeable, and otherwise circumscribes rural moneylending.

detailed network of regulations: government sanction is required to start, expand, or close down an undertaking; permits are required for virtually all raw materials and certainly all imported machinery and components. Government regulations extend to such points as the manner of conducting board meetings and the width of *sari* borders in the case of mill-made *saris*. In effect all these controls and regulations have created and protected private monopolies in virtually all fields of nonagricultural production.

Thirdly, there is import and exchange control. No imports of any kind are permitted without a license, and imports of a wide range of commodities are banned altogether. Prohibitive tariffs have been imposed on a large number of other goods. All this means that Indian producers of import substitutes have a highly-protected sellers' market. To reinforce import control, all exchange earnings have to be surrendered to the Reserve Bank at the official price—which is well below the true market price. It is, of course, forbidden to send exchange or rupees out of the country in any form.

Fourthly, the government sector has continually expanded over the last 15 years—even though this sector provides the least employ-

ment and adds nothing to the real national income. The driving force here is public contracts; the larger the public sector, the larger are its contracts, and the larger, therefore, the rake-offs for the contractors and civil servants involved. (Where 100 rupees are accounted to be spent on a project, they never are. Some say 60 rupees are spent and 40 distributed; others would reverse the proportions—but no Indian would agree that the full amount was spent.)

Fifthly, there are innumerable other controls over the internal economic life of the country, ranging from controls over the movement of food grains between states, to those over the establishment of bus routes. All of these serve to increase the powers of officials over their fellow men.²

A Limited Private Sector

From all this, it will be clear how small is the sector of the Indian economy from which a political opposition can draw material

² As if all this were not enough, after the Chinese incursion of October 1962, the government passed the Defence of India Regulations (DIR) empowering it to arrest and detain without trial persons suspected of being dangerous to the public safety. Significantly, the DIR have been used virtually against persons known to be associated with the opposition: see *Swarajya* (Madras), *passim*, for 1963, 1964, 1965. Although four years have passed, the DIR continue to be in force.

support, and how minute a portion of even this sector is independent of the government.³ The industrial sector in India owes its establishment and continued existence to the government. In the absence of the forced draft of resources into it, and of exchange and import controls and tariffs, this sector's artificiality and unviability would be quickly and unmistakably revealed. It follows that though Indian businessmen technically may be independent of government and even complain of some types of intervention, in fact they must be included as part of the government sector.

It is, therefore, hardly surprising that the opposition in India should be so small and that opposition parties should complain of a dearth of funds while the ruling party has no complaint in this regard. Naturally, virtually all businessmen are ardent supporters of the government. Again, a leading South Indian newspaper charged that government had used Journalists' Wages Boards and newsprint controls to penalize

papers consistently opposing it; charges have also been heard that government departments have threatened to withhold valuable advertising from the opposition press.⁴ And more recently, opposition M.P.'s have protested in Parliament against Criminal Investigation Department harassment — their telephones, they say, are tapped, their letters (even letters from their wives) are censored, and they are shadowed by C.I.D. plain-clothesmen.⁵ When M.P.'s are treated thus, the ordinary citizen can hardly feel aggrieved when he finds that letters abroad — even registered letters — are opened in order to ferret out vio-

⁴ See the editorial in *The Hindu* (Madras) 10 October 1959: "There are also certain considerations that the Prime Minister might have remembered while calling the Press to account, such as *the power the State has deemed fit to take to restrict the supply of newsprint, to control imports of machinery, to fix wages and salaries and working conditions in newspaper offices. These are calculated to make it extremely difficult for newspapers to be as free from extraneous influence as the Prime Minister would presumably want them to be. If there is any single strong inducement for newspapers to adopt a particular line on any matter, it comes from the Government.* If, in spite of this, a number of newspapers look with a critical eye on the formulation and implementation of various policies by the Governments at the Centre and in the States, the reason must be found in the policies themselves and not in any extraneous considerations. . . ." (italics added).

⁵ See the report in *The Times of India* (Bombay) 6 September 1966.

³ The Fourth Five-Year Plan (1966-71) proposes, in effect, to reduce even further this minute independent sector: the government will extend its trading activities, especially in food grains; and taxes on income and wealth — already the highest in the world (see N. A. Palkhivala, *The Highest Taxed Nation in the World* (Bombay, 1965) — will be raised even further.

lations of the Exchange Control Regulations.

Finally, the Essential Commodities (Amendment) Bill of 1966 is yet another straw showing the direction in which the political wind in India is blowing. As mentioned, food grains movement is controlled. Hitherto, the government could only impound food grains suspected of being moved illegally. But now the government can summarily confiscate both food grains and vehicles suspected of being involved in illegal movements; it is up to the poor merchant to prove his innocence.⁶

Perhaps the most ironic element in this whole situation is the role of foreign aid. Given in order to "feed starving orphans in Orissa" (as Milton Mayer would have it) or to "keep India from going communist" (as many Americans believe), it is in fact one major cause why orphans in Orissa are starving and why India is now so firmly set down the road to serfdom. This is because in India foreign aid provides the major portion of the finance for the Plans: for every rupee of internal resources, almost 2 rupees worth of resources comes from foreign aid. If aid is calculated at the official exchange rate for the rupee, its

true economic value is understated — even allowing for the recent devaluation. It is only if aid is calculated at the free market exchange rate that its true significance emerges. Planning in India, as has already been pointed out, involves essentially a forced transfer of resources out of the uses where they would benefit the masses — i.e., the agricultural sector — into an artificially created and propped up "industrial" sector. It follows that agricultural output has lagged far behind all industrial outputs; consequently, the Indian people are hungrier after three Plans than they were before. Per capita availability of food grains has fluctuated downward over the last 15 years, and stands today at about 14 ounces per day. Meanwhile, since planning implies the concentration of economic and political power in the hands of the ruling clique, it has effectively smothered a wide range of potential political opposition. It would not be too much to describe India as a one-party state.

Democratic forms in themselves are meaningless. The right to vote can be effective only in the context of a whole network of other freedoms. Elections can be free only in the framework of a free market and the Rule of Law. ♦

⁶ Public speech by Mr. Minoo Masani, M.P., at Ahmedabad on 21 August 1966.

WELFARE

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of society which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society. . . . By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it.

ADAM SMITH, *The Wealth of Nations*

ECONOMICS has been characterized as the dismal science. However, the two main questions occupying economists belie that description. Classical economists concerned themselves with the means for enlarging income—with the causes of the wealth of nations—and with the determinants of the distribution of income. Neoclassical economists focus somewhat more narrowly within these larger questions on the causes of waste and how to improve welfare by eliminating waste.

The classical group did not neglect the analysis of causes of

waste. They dealt with the welfare consequences of state intervention in international trade—the effects of the imposition of tariffs and of trade and navigation acts. They also pointed to the welfare consequences of state intervention in the internal economy—interventions such as the creation, by royal grant, of monopolies of soap, playing cards, salt, and so forth.

The fact that classical and neoclassical economists thought progress possible—that the lot of man could be improved by enlarging resources and by better utilizing the available resources—makes economics an optimistic science. It was the discussion of Malthusian demographic propositions that led

This is from a paper which Professor Brozen of the Graduate School of Business, University of Chicago, delivered before the Mont Pelerin Society, Tokyo, Japan, September 9, 1966.

WITHOUT
THE
WELFARE

STATE

to the characterization of economics as a dismal science.

Malthus, and footnotes to Malthus added by Marx, the Webbs, the Fabian socialists, and others such as the proponents of the iron law of wages, created the notion of a permanently depressed class doomed to a subsistence level of life. This was a major excuse for proposals for intervention by the state, although it is hard to see how believers in Malthus and in the iron law of wages could conclude that redistribution of income would cure poverty. All it could do, if the logic of this view is accepted, would be to doom everyone to poverty instead of the laboring classes alone.

Many modern interventionists, such as the members of the Ad Hoc Committee on the Triple Revolution, use the same stale excuse for state action as nineteenth century Marxists and the Fabian socialists, with some change in the supposed reasons for expecting a permanently depressed class grow-

ing ever larger.¹ The modern version propounded by these dismal scientists argues that automation is dispensing with the need for labor services and that cybernation is leading to the development of "a permanently depressed class . . . in the United States."² Old clichés apparently never die nor do they fade away.

The Goals of the Welfare Statists

Welfare statisticians are as diverse a group as any other. It is, therefore, difficult to ascribe to them any creed on which there is monolithic agreement. There are some

¹ "... over 20 per cent of the American population is exiled from the abundant economy and this percentage will grow . . . in coming years." R. Theobald, *Free Men and Free Markets* (New York, C. N. Potter, 1963), p. 20.

² R. Theobald, "The Threat and Promise of Cybernation," *Main Currents*, September-October 1964, p. 5. See Y. Brozen, *Automation and Jobs* (Chicago: Graduate School of Business, University of Chicago, 1965), p. 22, for an empirical refutation. Also, R. D. Friedman, *Poverty: Definition and Perspective* (Washington: American Enterprise Institute, 1965).

goals, however, which apparently have a high priority with most. The most recent, and the oldest, around which they coalesce is the elimination of poverty and of temporary distress by state action. A few poetic souls among the socialists, such as George Bernard Shaw, have suggested that poverty be eliminated by shooting the poor.

Although the elimination of poverty is a goal which the welfare statisticians have appropriated as if it were their own discovery, economists of a liberal persuasion (in the European sense of liberal) have long held this same goal.³ It is the means for accomplishment on which liberals and interventionists (welfare statisticians) differ rather than the goal.

The modern welfare statistician, at least in the United States, even appears to subscribe to the statement that "the common man or average family has a far greater stake in the size of our aggregate income than in any possible redistribution of income." This is certainly the opposite of the refrain of the English welfare statisticians of the late 1940's who thought that the economic problem was not one

of increasing production but only one of redistributing the available output. Growthmanship and the urge to direct the economy in paths which maximize the rate of economic growth have become common to the welfare statisticians. Economic growth is now an important goal among the welfare statisticians as well as the elimination of poverty and the achievement of greater equality in the distribution of income.

Consuming What We Should

In addition to these goals, there is a very large group among the welfare statisticians who are also interested in seeing to it that we consume the right things. Cars with tail fins, heroin and other narcotics, useless (however the term may be defined) drugs, the sight of ugly (however that term may be defined) or ramshackle buildings and junkyards, books which are improperly advertised, inartistic television programs, and abstract paintings are proscribed. Orchestral and dance performances, provided they are of the proper variety, representational paintings, statuary, visits to state-owned parks (unless they are outside the national boundaries), and the consumption of educational and medical services are promoted.

The most influential groups promoting the interventionist or wel-

³ "... the chief motive of their [the Physiocrats] study was . . . to diminish the suffering and degradation caused by extreme poverty. They thus gave to economics its modern aim . . ." Alfred Marshall, *Principles of Economics* (London: Macmillan and Co., Ltd., 1930, 8th ed.), p. 757.

fare state are not those who believe in the welfare state because of any ideals relating to the improvement of the lot of the poor and the distressed or the promotion of the brotherhood of man by compressing the differences among them into a semblance of economic equality. They are a disparate set of groups, each interested in enhancing its own material status, even at great expense to others provided some drop of material gain emerges for it. Taxicab owners, in the name of improving the condition of taxicab drivers, persuade city councils to limit entry into the taxicab business. Northern textile mill operators and unions, in the name of helping the poverty-stricken employee and with the aid of the welfare statists, bludgeon Congress into passing minimum wage legislation. Real estate operators, contractors, and building trade unions, in their passion to improve the housing and condition of slum dwellers, eagerly promote governmental appropriations for urban renewal. Railroad, trucking, and barge line interests, in the name of providing essential transportation services for small businessmen and farmers on a nondiscriminatory basis, support transportation regulation with indefatigable zeal. The special interests, from sheep rancher to stockbroker, find the intervention-

ists to be handy, if unwitting, allies. These allies serve as front men and as a smoke screen to obscure their intent and the damage they do to the general welfare when they use the state to serve their special welfares.

More Harm than Help in Welfare State Programs

This melange of specific measures is certainly recognizable to most economists as damaging to the general welfare. A minority recognizes that these measures cause some of the poverty which concerns us. We need not tarry long over the fact that these measures damage the general welfare, on net balance, although they may enhance a host of welfares. Of course, when I say that the general welfare is damaged, I include in the general welfare the welfare of the benefited groups. The damage to others is greater than the gain to those benefited.

I should add that abolition of a large group of these measures simultaneously could produce a net benefit for any one of the groups which would lose from the abolition of the specific measure directed to its welfare and benefit. The producer of price supported cheese and milk could find himself selling in an even higher priced market or producing at a lower cost if transportation regulation,

minimum wage laws, union-supporting legislation, tariffs, and so on were abolished along with agricultural price support programs.

Some of these measures, which may have produced short-run benefits in the past, may now damage the very people they once benefited. Textile workers may have had a rise in wage rates relative to what they otherwise would have been paid after the passage of tariff legislation imposing import duties on textiles. However, wage rates earned by textile workers in the United States today are probably lower than they would be without tariffs. Our export industries today are high-wage industries. To the extent that tariffs limit the dollar earnings of those who could otherwise sell more to the United States, they have limited the demand for U.S. exports and the number of jobs at high rates in the export industries. As a result, U.S. export industries are not recruiting textile workers as aggressively as they would without the tariffs, textile workers are not shifting as rapidly as they otherwise would to high-wage jobs in export industries, and their wage in textile work is lower than it would be if export industries were bidding more aggressively for their services.

Although we know that minimum wage laws hurt the poor by

costing them jobs, that agricultural price support programs hurt the poor by raising the prices of their food, that transportation regulation hurts the poor by preventing industry from moving to disadvantaged regions where the poor live and increases the cost to the poor of migrating to the regions where better paying jobs can be found, that union supporting legislation hurts the poor by permitting union power to grow to the point where it can be and is used to restrict the entrance of the poor into higher paying occupations, that urban renewal appropriations hurt the poor by forcing the slum dweller out of low-priced housing into higher priced housing, that regulation of the field price of natural gas increases its price and the price paid by the poor for cooking and heating fuel, that usury laws make it more difficult and expensive for the poor to obtain loans, that subsidizing subway fares benefits property owners in mid-town locations rather than the poor who ride the subways,⁴ where is the welfare statist who opposes these measures and calls for their abolition?

⁴ A discussion of the damage done by these various measures and references to several studies of their net effect can be found in Y. Brozen, "The Revival of Traditional Liberalism," *The New Individualist Review*, Spring 1965 (Vol. 3, No. 4).

Instead, the welfare statist simply argues more urgently for more poverty programs, more job-training facilities and support, more generous relief programs, still more subsidies for the items he regards as important in the budgets of the poor, more grants to educational institutions and more educational establishments operated by the state, longer periods of compulsory school attendance, and the like. The welfare statist could do much for the poor by working to abolish the measures that add up to a state-of-many-welfares and lowered general welfare.

Here, then, is an important difference in the means of the interventionist and the means suggested by liberals for assisting the poor to greater affluence. The interventionist proposes specific assistance measures for the poor. These essentially aim at trying to offset the damage he has unknowingly created with his melange of state measures benefiting special interests. Job-training programs, unemployment insurance, old-age assistance, aid to dependent children, public aid, the Job Corps, volunteers in service to America, area redevelopment programs, to name a few items from the menu of the welfare state in America, serve primarily to partially offset, for some groups, the damage done by earlier interventionist meas-

ures.⁵ The liberal, on the other hand, proposes to release each man's drive for self-improvement and each man's willingness to contribute to the welfare of others when his activity also contributes to his own welfare. He proposes to remove the barriers to self-improvement and to private contributions to welfare. He proposes the provision of opportunity for self-development and the development of independence where the welfare statist proposes measures which not only are less efficient but which contribute to an increase in dependency and a decline in the rate of growth and the level of national income.

Welfare Generation by Non-State Activity

Activities which improve the lot of the poor undertaken for self-interested reasons apparently are suspect to the welfare statist. The motive is wrong; therefore, the results are unacceptable. Those furnishing cheaper provisions for the poor or job training and better paying jobs because they hope to profit by doing so are not acceptable. Presumably, a Peace Corps volunteer who teaches an illiterate

⁵ Estelle James points out that "a major rationale for future government activity is past government activity." Review of *The Economics of Vocational Rehabilitation*, *American Economic Review*, June 1966 (Vol. LVI, No. 3), pp. 640-42.

Brazilian to read without hope of profit is doing more for the illiterate Brazilian than *General Electric do Brasil* when it hires teachers to teach the illiterate members of its work force to read in the hope that it can reduce its supervisory costs and increase its profits. The end result is the same. Illiterate Brazilians learn to read. But the motive is different. Somehow that means that the Peace Corps volunteer has contributed to the welfare of poor Brazilians and G.E. has not. The Peace Corps volunteer was not motivated by self-interest (except to the extent that he desires travel and adventure and instant status at minimum cost) while G.E. was motivated by a lust for profit.

Many of the proposals of the welfare statist simply result in the substitution of state activity for private activity without any net gain in the welfare generated. The welfare statist proposes job-training programs for the unskilled poor with the purest of motives — to uplift the downtrodden. He proposes the expenditure of tax funds to train taxi drivers, which reduces the outlay by taxi companies to train drivers. He proposes the expenditure of tax funds to train filling-station attendants, which reduces the outlay by refiners to train attendants.

Does the expenditure of tax

monies do more for the newly trained drivers and attendants than that of private funds? The answer to this question must become embarrassing to the welfare statist when tax funds are devoted to training ship stewards who then find no jobs available even for many with long experience. At least, company funds are used for such training only if some use will be made of the investment in job training. But the welfare statist seems to think no contribution to welfare occurs when profit motivated expenditures are made, while a great contribution occurs if the funds are taken by the state and then expended under state aegis.⁶ Yet the net improvement in welfare even if we consider only the welfare of the poor is, in many cases, greater if the funds are left in private hands.

No Faith in the Directions Offered by the Open Market

The welfare statist apparently wants to produce economic growth, increased equality, and improvement of the lot of the poor by direct intervention and government-

⁶ The Department of Interior, in its suit attempting to block the construction of a dam by the Virginia Electric Power Company for which it had received a license from the Federal Power Commission, argued it would be better if the dam were never built than to have it erected by a private group.

tal direction rather than by using or permitting impersonal social forces to produce these same results. Some of them obviously do not understand how normal market forces and normal evolution can produce the desired results. Others, particularly the political types, may understand this but either wish to use direct measures in order to obtain credit for the results or in order to build their power.

If economic growth is desirable, and that is the excuse for much interventionist activity and for many discriminatory or non-neutral tax laws, it is likely that as much or more will be generated (by the private economy) with fewer interventions and a more neutral tax structure than is the case in most countries which have inaugurated interventions and distorted their tax structure for the avowed purpose of stimulating growth.⁷ Usually, these measures have a double purpose of achieving both more growth and more equality. Yet, they frequently negate both purposes.

The passion for equality, which appears to be the basis for imposing both property taxes and corporate earnings taxes on property

income in addition to the personal income tax while only the personal income tax is imposed on wage income, would be better served by a neutral tax structure than the present non-neutral structure in use in most countries. With less attempt to use state power to compress the inequality in the distribution of income, inequality would diminish more rapidly. Low wage rates would rise more rapidly with a higher rate of saving and capital formation, and inequality would diminish with the rise in income of wage earners. Instead, the welfare statisticians are attempting to diminish inequality by slicing down the top with some redistribution to the bottom. Inequality has been diminished by the tax and transfer structure, but by less than it would be diminished in a short time by the evolution which would occur under a neutral tax structure with less intervention by direct means.

The Nonadditions to Welfare Produced by the Welfare State

Inasmuch as a very large portion of welfare expenditures in the United States is for the benefit of those who are taxed to provide the funds, the tax structure is imposing a very large burden with very little redistribution. Elimination of state use of funds to provide people with what they could and

⁷ E. S. Phelps, *Fiscal Neutrality Toward Economic Growth — Analysis of a Taxation Principle* (New York: McGraw-Hill Book Co., 1965).

in most instances would buy for themselves if their funds were not taxed away would contribute to more rapid economic growth, a more rapid rise in the incomes of those who receive less than \$3,000 per year — the official poverty line for families of four in the United States — and an increase in the equality of income distribution through the forces of normal economic progress in free markets.

As Professor Lampman has remarked, with \$100 billion of transferred income in the United States, \$81 billion of which is financed by taxes, "how can we explain the fact that there is any poverty left in the United States?"⁸ The explanation lies in the fact that a major part of the transferred income does not go to the poor. It goes to people in the form of services which they are quite capable of buying for themselves and money grants which have been described as "poverty programs for the well-to-do." The agricultural program (a poverty program for rich farmers) is an example of the latter. Free services provided by publicly maintained educational institutions are an example of the former. In 1964, of the \$28 billion of tax money spent on publicly operated educational institutions, only

18 per cent of the services were provided for the 28 per cent of the population who are classed as poor on a pre-transfer income basis (only 18 per cent of the population were classed as poor on a post-transfer income basis). In my own state, estimates have been made which indicate that the publicly operated universities take more from the poor in taxes than they provide to them in services. Charging for the services of these universities and removing their tax support would increase the incomes of the poorest part of the population relative to the incomes of those who are relatively well off.

Relief for the Affluent

A number of other government enterprises presumably devoted to the task of redistributing income by providing subsidized or free services for the poor perform in much the same way as the publicly operated educational institutions. They provide a very large portion of their services to the well-to-do who are capable of purchasing these services with their own means. Electricity and telephone service for well-to-do farmers and suburbanites are subsidized by the Rural Electrification Administration. Electricity for poverty-stricken corporations such as the Aluminum Corporation of

⁸ R. J. Lampman, "The American System of Transfers: How Does It Benefit the Poor?" (mimeographed, no date).

America and the Du Pont Company is subsidized by the tax free status of the Tennessee Valley Authority (27 per cent of the price of electricity goes to pay the taxes imposed on privately operated utilities). Irrigation water for well-to-do farmers is subsidized by the Bureau of Reclamation and by the city poor who are overcharged for water to pay some of the losses on water furnished for agricultural purposes. Subsidized loans to home owners, to farmers, to small businesses, to maritime operators, to railroads, and so forth are subsidies for the well-to-do. We are even proposing to subsidize middle income apartment renters—where a middle income is defined as \$8,000 to \$11,000 per year.

A very large portion of the welfare provided by the welfare state simply provides a substitute for what those who receive the services were buying for themselves or would buy in their present circumstances. To this extent, the welfare state has not increased the welfare available in our society. To the extent that the state-provided substitutes are inferior to what people were providing or would provide for themselves, there is a welfare loss. Inasmuch as state-provided services tend to be uniform and are not adapted to the desires of those receiving the

services, a very large portion of these services are inferior to what people would purchase in a free market in which firms must compete for customers.

The Welfare Losses Generated by the Welfare State

As indicated above, much of the officially defined poverty found in the United States is a consequence of attempts to increase by state intervention the share of the national income pie received by various groups. These interventions have taken such forms as controlling relative prices to make them different from what would be found in a free market or by changing relative private costs by such means as differential tax rates. To produce some of the hoped-for changes, the state has limited entry in some markets or delegated the power to private groups to limit entry. It has provided goods below cost, and increased the prices of other goods to above their social cost.

The deleterious effects on the size of the national pie of interventions which change relative prices and costs has led some liberal economists to suggest that it is preferable to increase the size of the slice received by various groups by direct income transfers. This, presumably, would have a less harmful effect on the size of

the national income pie available for slicing. Such transfers are presumed to avoid shrinking the pie which has the result of shrinking the size of the slice received even when it turns out to be a bigger share of the shrunken pie.

What is too often forgotten is that even income transfers may shrink the pie by as much or more than the amount of income transferred. Income transfers conditioned on the recipient falling below some designated income level also effect relative prices — the price of leisure relative to other goods. There is evidence that many of the poor in the United States are poor in pre-transfer income because they are paid to be poor. As Pigou once remarked, "If . . . it is understood that everybody's income will . . . be brought up by State aid to, say £3 a week, it will, generally and roughly, be to the interest of everybody capable of earning by work any sum less than £3 a week to be idle and earn nothing. This must damage the national dividend."⁹

When It Pays Not to Work

A study of the effect of the level of public aid payments on the number of persons requesting and receiving such payments in the United States in the 1950's indi-

cates that a very substantial proportion of those on the welfare rolls are "not on assistance due to zero wage alternatives." The higher the level of public aid to each recipient, the larger the number of people who choose not to work. The proportion on public aid rolls in the 1950's who were "not on assistance due to zero wage alternatives" averaged nearly 50 per cent over the decade. The level of assistance payments may have accounted for as much as 87 per cent of those on public welfare rolls in one year.¹⁰

A study of experience with unemployment compensation in six states reached a similar conclusion. The higher the level of unemployment compensation relative to take-home pay from his last job, the longer an unemployed worker remained unemployed.

Still another example of the decline in self-support and national income resulting from income transfers is provided by a study of the economics of vocational rehabilitation. Vocational rehabilitation investment returns \$10 to \$17 in present value of enhanced future earnings for every one dollar invested. However, the net private return to the disabled is very

⁹ *The Economics of Welfare* (London, 1952, 4th ed.), pp. 731-32.

¹⁰ C. T. Brehm and T. R. Saving, "The Demand for General Assistance Payments," *American Economic Review*, Dec. 1964 (Vol. LIV, No. 6), p. 1017.

much less. As a consequence, most of the disabled choose not to invest in rehabilitation. Earning an income would mean the sacrifice of their social security disability payments, their public assistance receipts, or their workmen's compensation.¹¹

Here, then, is a second element in the answer to Lampman's query, "How can we explain the fact that there is any poverty left in the United States?" despite \$100 billion of transferred income. The more income that is transferred to the poor, the larger the number of people who will choose to be poor. A program to alleviate poverty such as direct grants to the poor creates more poverty to be alleviated. A reduction in the level of welfare payments will also reduce the amount of poverty.

Conclusion

Our sovereigns in the United States have been so intent on extending state benefits to each petitioner and have paid so little heed to costs, to the nonrevenue yielding burden of taxation, and to the consequences for general welfare that the welfare state as it is operating is reducing the general welfare. General welfare has been reduced by an amount such that the larger slice obtained by some is of such a shrunken pie that

most of the successful petitioners are worse off. In addition, the goals of the avowed welfare statisticians have been poorly served by our welfare state. Admittedly, there has been a net redistribution of current income in favor of the poor as a result of public assistance payments and the transfers within the social security system. However, even these measures have had undesirable consequences. They have produced a state of dependency which is being handed on within families from generation to generation. They have forced early retirement for many who would prefer to go on working, but choose not to do so since benefits would be sacrificed under the rules enforced. They have created the poor, measured by pre-transfer income, since it pays to be poor.

The small measure of redistributive success accomplished by our welfare state has been accompanied by great inequities, by a failure to stimulate growth (a debatable goal for a state, however acceptable as a matter of individual choice), and by a great waste of resources in attempting to force the consumption of items judged superior by the welfare statisticians. Even the recent medicare act seems to be resulting largely in the substitution of payments by the state for medical services for

¹¹ Estelle James, *op. cit.*, p. 642.

those over 65 which were formerly paid for privately. The redistributive effect has been small while the illusion of state benefit has been large.

The welfare statisticians have succeeded in injecting the state into a multitude of activities ranging from city-operated trash collection services to patronage of the performing arts, but it appears that at best they have substituted public activity for private.¹² More likely, they have diminished the speed of movement toward the goals they profess to serve. At the very time when more symphonic performances under private support were occurring than ever before, more students were in college than ever before, more people over 65 were receiving medical services and were insured against medical disaster than ever before, more effort was being expended on gardening, landscaping, and other forms of beautification than ever before, the welfare statistician found that not enough was being done and forced an enlargement of the state role in such activities. At the

very time when inequality has lessened and poverty has moved closest to disappearance, the welfare statisticians suppress the means which brought about this happy state of affairs and inject the state, the device whose iniquitous effect on the wealth of nations was discovered two centuries ago and with whose declining role in economic affairs was associated the greatest flowering of affluence for the masses.

It is the free market which socialized the genius of Edison and Steinmetz and a multitude of others. The state has typically been a device for producing affluence for a few at the expense of many. The market has produced affluence for many with little cost even to a few. The state has not changed its ways since Roman days of bread and circuses for the masses, even though it now pretends to provide education and medicine as well as free milk and performing arts. It still is the source of monopoly privilege and power for the few behind its façade of providing welfare for the many — welfare which would be more abundant if politicians would not expropriate the means they use to provide the illusion that they care about their constituents. ♦

¹² One of the results of the poverty program in the U.S. is that many private philanthropic organizations have been stripped of skilled personnel who have been hired away to administer public programs.

BLACK and Conservative

THE WORD has gone out in advanced "liberal" circles that George S. Schuyler, whose autobiography, *Black and Conservative* (Arlington House, \$5.95), makes delightful reading, is just another "Uncle Tom" Negro. The reason for putting Mr. Schuyler in this category is that he has always taken a dim view of the "pied pipers" who lead "the lunatic fringe astray" by such tactics as disrupting traffic, tossing garbage on streets and lawns, and "sprawling on courthouse steps yammering spirituals and the slogan 'We Shall Overcome,' first popularized by the Castro forces." Three years ago Mr. Schuyler said this sort of thing, which easily edges into violence, would lead to the emergence of uncompromising "black power" leaders such as Stokely Carmichael and Floyd McKissick who, in turn, would provoke a dangerous backlash that might undo all the patient advances made by the Negro race since World War II.

Mr. Schuyler, of course, is getting no thanks today for his gift of accurate prophecy, but it is noteworthy that such old favorites of the "liberals" as the Rev. Martin Luther King are now warning their followers to avoid the provocativeness of extreme "black power" statements. What Dr. King is saying in 1966 is what George Schuyler was saying in 1964 — or, indeed, in 1934.

When the Stokely Carmichaels talk about "black power," their phraseology creates the impression that they mean political power that is unshared by whites. George Schuyler has all along advocated a different sort of "black power," the power of individual Negro economic ownership based on self-help. He has observed, correctly, that other minority groups in the nation — the Jews, the Italians, the Irish — achieved political and cultural freedom by putting individualist economics first. As long as a minority remains a beggar-caste, depending

on handouts from a political source, it will possess no strength beyond its power of numbers as a pressure group.

Pressure groups with economic power behind them can sometimes do something of lasting value for themselves: they can force other groups to get off their necks. But when a group has only numbers to support it, it must deal away most of its real power to political brokers who are mainly interested in advancing their own fortunes. The pressure group that depends solely on its vote becomes the pawn of demagogues whose careers are best advanced by keeping their supporters in an abject state of living on political charity. This is the rule that has created the phenomenon of families that have been living on relief for three generations. If persisted in, it means that the central cores of our big cities will be just as badly off a generation hence as they are now.

Examples of Progress

In his *Black and Conservative* George Schuyler tells of his many southern tours. Sometimes they were made for his newspaper, *The Pittsburgh Courier*, sometimes they were in behalf of such organizations as the National Association for the Advancement of Colored People. Mr. Schuyler was properly outraged when he couldn't

find a good lodging for the night, and he hated the demagoguery of the so-called Red Necks who kept their power by denying Negroes the elemental civil liberties that are supposedly guaranteed by the American Constitution. But he also ran up against the communists when they were pushing their policy of "self-determination for the black belt." With his sociologist's eye Mr. Schuyler saw that the communist tactic provoked a blind fear among whites. His researches in North Carolina brought him to conclude that "most of the Negro's difficulties and problems could be greatly ameliorated through his own efforts in cooperation with willing whites who recognized that such would be mutually advantageous."

In a notable passage in the middle of his autobiography, Mr. Schuyler says: "I had seen where this had been done on many occasions in real estate, insurance companies, and banks. There was no lack of 'communication' between members of the two 'races' who had anything to communicate. . . . Durham was an outstanding example of what Negroes could accomplish for themselves. It was headquarters of the North Carolina Mutual Life Insurance Company, the largest Negro-owned business in the country. There was also a flourishing bank, a fire insurance

company, many successful smaller businesses, and the impressive North Carolina College for Negroes. There were numerous Negro-owned tobacco farms in the vicinity."

It has all along been George Schuyler's contention that if this sort of progress could be had in North Carolina, which is below the Mason-Dixon line, it could also be achieved in the cities of the North. He points out that the so-called "talented tenth" among the Negroes are great generators of capital funds. The earnings of ball players like Jackie Robinson and Willie Mays, singers like Leontyne Price and Marian Anderson, pianists like Mr. Schuyler's own talented daughter, Philippa, and entertainers like Sammy Davis, could, if deployed through Negro financial institutions, create new businesses and solve some acute real estate problems. Mr. Schuyler's ideas have been picked up by a few Negro leaders, but the diversion of the "Negro revolution" into political channels has had a depressing effect on the sort of thing that Mr. Schuyler saw flourishing in Durham, North Carolina, a generation and more ago.

Through His Own Efforts

The really encouraging thing about Mr. Schuyler's book is the proof it offers that a good man can

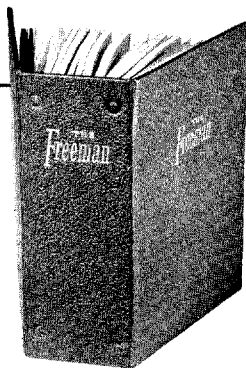
rise, and have his effect on the American world, in spite of the most terrifying obstacles. Mr. Schuyler seized his opportunities where he found them. He spent a long time in the U.S. Army, serving at Schofield Barracks in Hawaii and training recruits at Camp Meade and other places during World War I. He found plenty of prejudices in the Army, and he fought actively against them when he could. But, with his happy and sardonic temperament, Mr. Schuyler refused to develop a martyr complex. He used the Army as a means of getting an education in realities. When he moved into the Negroes' world of Harlem, in New York City, by way of a temporary civil service job on Governor's Island in New York harbor, he was ready for the breaks.

The immediate future wasn't promising: Mr. Schuyler lost his job just when the short post-World War I depression was beginning, and he had to return to his childhood home in Syracuse for a time. He used the Syracuse interlude to read Marx, Engels, Plechanov, Kautsky, Hyndman, Edward Bellamy, and H. G. Wells, but a tentative association with the socialists in active political work soon disillusioned him. Returning to New York City, he ran into the Marcus Garvey Back-to-Africa movement. This seemed nonsensical to him, for

the Negroes he knew had no desire to go to Africa when the "old country," to them, meant Virginia, the Carolinas, and the Deep South.

In deciding to fight for Negro rights at home, George Schuyler found his way to the office of A. Philip Randolph, a co-editor of an impecunious magazine called *The Messenger*. Randolph hired Mr.

Schuyler to sweep the floor, open the mail, read proofs, handle subscriptions, run over to the *Brooklyn Eagle* job press, and distribute magazines to the newsstands. With a foot in the door, Mr. Schuyler was soon writing satirical articles for Mr. Randolph. The career that is so engagingly summed up in *Black and Conservative* was launched. ♦



HANDSOME BLUE LEATHERLEX
FREEMAN BINDERS

Binders with Issues inserted
for Calendar Years 1963 and 1964:

Either year	\$ 5.00
Both	10.00

Binder only, \$2.50 each

THE FREEMAN — Volume 16, January-December 1966

Prepared by BETTINA BIEN of the Foundation staff

NOTE: In page references, the number preceding the colon designates the month, the number following the colon refers to pages. The letter "n" following a number refers to a footnote.

All articles have at least three entries — author, subject, and title, except in a few cases when title entries seemed repetitive. Complete title, author's name, and paging are included in the author entry; otherwise entries are abbreviated.

Book reviews and fillers are listed by author in separate sections on page 64.

- ACADEMIC freedom**
Freedom to sift and winnow (Meek) 9:50
Freedom nobody wants (Opitz) 11:4
- ACADEMY of Basic Education**
Visit with a headmaster (Wheeler) 10:49
"ADMINISTERED prices"
Will the real price administrator please stand up! (Howard) 4:46
- ADMINISTRATIVE law**
Flight from reality, 23, 24 (Carson) 8:53; 9:41
Private rights and government (Sutherland) 6:33
- ADMISSION of failure (Shorock) 7:36**
- ADVERTISING, private**
Too much secrecy (Chamberlain — Book review) 9:59
Six misconceptions about consumer welfare (Dean) 1:22
- AGGRESSION, aggressive force**
Macro malady (Read) 2:52
Men of prey (Read) 10:21
- AM I my brother's keeper? (Bird) 5:54**
- AMERICAN federalism . . . (Roche) 12:3**
- ANDERSON, Martin**
Fiasco of urban renewal, The. 3:46-59
- ANIMALS**
Market price of burros (Bellerue) 4:44
Of birds and men (*Spiegel*) 4:51
- ARMCHAIR skirmish against poverty (Wheeler) 4:23**
- ASIA**
Coming serfdom in India (Shenoy) 12:35
Crafty communists (Hong Kong) 1:26
State economic planning . . . (Chamberlin) 1:30
- ASSAULT on free enterprise (Institute of Directors) 8:41**
- AUTHOR of liberty (Opitz) 1:3**
- AUTOMATION**
Income without work (Hazlitt) 7:20
Some reflections on robots (Read) 8:32
- BALANCE of payments**
Case for international investment (Hazlitt) 8:19
Progress or regress? (Sennholz) 4:33
- BANKING and credit**
Interest rates are rising (Sennholz) 12:13
- BAUER, Peter T.**
Foreign aid: an instrument for progress? 12:25-34
- BELLERUE, Al**
Market price of burros. 4:44-45
- BIRD, Herbert S.**
Am I my brother's keeper? 5:54-56
- BIRDS and men, Of (*Spiegel*) 4:51**
- BOHM-BAWERK, Eugen — ideas of**
Interest rates are rising (Sennholz) 12:14
- BRADFORD, M. E.**
Sacrilege and cupidity: a plea for perspective. 2:38-40
- BREESE, Edward Y.**
Human desire for freedom, The. 1:56-58
Set my people free. 10:3-7
- BROWN, Harold O. J.**
Erosion of the mind. 5:3-11
- BROZEN, Yale**
Welfare without the welfare state. 12:40-52
- BURROS, Market price of (Bellerue) 4:44**
- BUSINESS, regulation of**
Flight from reality, 23, 24 (Carson) 8:53; 9:43
Private rights and government (Sutherland) 6:34
Progress or regress? (Sennholz) 4:33
Socialism by seduction (Chamberlin) 6:17
- BUSINESSMAN—hero or villain? (Peterson) 7:52**
- CALHOUN, John C. — ideas of**
Cure for poverty . . . (Chamberlin) 2:7
- CANUTE and the counting of noses (Fox) 10:44**
- CAPITALISM**
Income without work (Hazlitt) 7:35
Observations on the Russian reform movement (Mises) 5:23
Roots of war (Rand) 11:27

CARSON, Clarence B.

Flight from reality, The.(16) From ideology to mythology, I.
1:34-45(17) From ideology to mythology, II.
2:24-37

(18) Origins of reform methods, The. 3:8-22

(19) Flight from economics, The. 4:3-18

(20) Meliorist economics. 5:33-47

(21) Bent to destruction, The. 6:42-55

(22) Divide and conquer. 7:38-49

(23) Flight from the Constitution, The. I.
8:45-59(24) Flight from the Constitution, The. II.
9:35-49(25) Political experimentation: the four-
year plans. 10:30-43

(26) Pen and the sword, The. 11:36-55

CASE for international investment (Hazlitt)
8:16

CASE for willing exchange (Read) 9:25

CASE of the free rider (Farrell) 10:12

CENSORSHIP/thought control

Coming serfdom in India (Shenoy) 12:36,
37n,38

Erosion of the mind (Brown) 5:3

Flight from reality, 26 (Carson) 11:53

Some thoughts on censorship (Opitz) 6:56

CHAMBERLAIN, John. *See* Book reviews

CHAMBERLIN, William Henry

Constitutions should say no. 7:3-8

Cure for poverty: individual effort, The.
2:3-9

Socialism by seduction. 6:17-23

State economic planning: tragedy or fu-
turity. 1:27-33State swelled and the people shrank, The.
5:15-22CHRISTENSON, Richard. *See* Book reviews

CHURCHES and economic issues

Clergyman looks at free enterprise (Ream)
8:26

Sacrilege and cupidity ... (Bradford) 2:38

Safety of the people (Moreell) 9:10

Your church—their target, Ingwalson (Ream
— Book review) 7:63

CIVIL rights

Individualism vs. racism (Wortham) 1:13

Set my people free (Breese) 10:3

CLERGYMAN looks at free enterprise
(Ream) 8:26

COMING serfdom in India (Shenoy) 12:35

COMMUNISM. *See* Marx; Russia; Socialism

COMPETITION

Human desire for freedom (Breese) 1:56

Six misconceptions about consumer welfare
(Dean) 1:22

COMPROMISE

Punch decries "No compromise." 10:28

CONSPIRACY/plot

Flight from reality, 26 (Carson) 11:39

CONSTITUTIONS should say no (Chamber-
lin) 7:3

CONSUMER sovereignty

Businessman — hero or villain? (Peterson)
7:58Observations on the Russian reform move-
ment (Mises) 5:23Private enterprise in the public interest
(U.S. Steel Corp.) 6:37

Supremacy of the market (Mises) 10:17

CONSUMER welfare, Six misconceptions
about (Dean) 1:22

COST of living (Poirot) 10:8

"CREATIVE federalism" (Read) 7:9

CURE for poverty ... (Chamberlin) 2:3

DEAN, Joel

Six misconceptions about consumer wel-
fare. 1:22-26

DEMOCRACY/majority rule

Canute and the counting of noses (Fox)
10:44

Flight from reality, 22 (Carson) 7:46

Private rights and government (Sutherland)
6:32

DISASTER area, U.S.A. (Paton) 2:16

ECONOMIC development/progress

Fallacy of foreign aid (Hazlitt) 2:41

Foreign aid ... (Bauer) 12:25

Money and free markets ... (Watts) 1:48

Vital secret (Poirot) 9:23

ECONOMIC doctrines, various

Flight from reality, 17, 19, 20 (Carson)
2:24; 4:3; 5:33

ECONOMIC freedom

Coming serfdom in India (Shenoy) 12:35

Freedom nobody wants (Opitz) 11:3

Freedom to sift and winnow (Meek) 9:50

EDUCATION, ideal — theory of

Freedom through education (Newell) 5:11

Relativity of relativity (Upton) 1:6

Visit with a headmaster (Wheeler) 10:49

EMINENT domain

Fiasco of urban renewal (Anderson) 3:54,
59

Flight from reality, 18 (Carson) 3:16

EROSION of the mind (Brown) 5:3

EUROPE

Adenauer's Memoirs (Chamberlain — Book
review) 8:60Case for international investment (Hazlitt)
8:16Fiat money inflation in France (White)
12:23

Sweden's great society (Husbands) 1:18

See also Great Britain; Russia

- FALLACY of foreign aid (Hazlitt) 2:41
 FARRELL, Peter A.
 Case of the free rider, *The*. 10:12-16
 FERTIG, Lawrence
 Government veto system, *The*. 11:17-22
 FIASCO of urban renewal (Anderson) 3:46
 FIAT money inflation in France (White) 12:23
 FIRST liberty library (Rothbard) 10:56
 FLIGHT from reality. *See* Carson
 FOREIGN aid
 Coming serfdom in India (Shenoy) 12:39
 Fallacy of foreign aid (Hazlitt) 2:41
 Foreign aid . . . (Bauer) 12:25
 FOX, Willard M.
 Canute and the counting of noses. 10:44-48
 How to finance a war. 7:12-17
 FREE enterprise/free market
 Assault on free enterprise (Institute of Directors) 8:41
 Clergyman looks at free enterprise (Ream) 8:26
 Supremacy of the market (Mises) 10:17
 FREE rider, Case of the (Farrell) 10:12
 FREE/voluntary exchange
 Case for willing exchange (Read) 9:25
 Values, exchange, and profits . . . (Jennings) 9:52
 FREEDOM/liberty
 Author of liberty (Opitz) 1:3
 Law of liberty (Sollitt) 11:33
 Moral foundation of freedom (Husted) 3:23
 Private rights and government (Sutherland) 6:26,33
 Spirit of liberty (Hand) 7:18
 Two philosophies of freedom (Sollitt) 5:48
 FREEDOM nobody wants (Opitz) 11:3
 FREEDOM of speech
 Pay TV (Gillett) 4:38
 FREEDOM through education (Newell) 5:11
 FREEDOM to sift and winnow (Meek) 9:50
 FRIEDMAN, Milton — ideas of
 Freedom nobody wants (Opitz) 11:3
 Government veto system (Fertig) 11:21
 See also Negative income tax
 GALBRAITH, John K. — ideas of
 Flight from reality, 19 (Carson) 4:3,9
 GEORGE, Henry — ideas of
 Flight from reality, 17, 20 (Carson) 2:24; 5:43
 GIFFORD'S legacy, Lord (Opitz) 3:36
 GILLETT, Elizabeth
 Pay TV: the right to compete — and to speak. 4:38-43
 GOVERNMENT, role of
 Flight from reality, 22 (Carson) 7:40
 Men of prey (Read) 10:21
 Private rights and government (Sutherland) 6:16
 GOVERNMENT veto system (Fertig) 11:17
 GREAT BRITAIN
 Assault on free enterprise (Institute of Directors) 8:41
 Income without work (Hazlitt) 7:33
 Progress or regress? (Sennholz) 4:33
 GROSS national product (GNP)
 Progress . . . (Read) 6:3
 GUIDELINES, price and wage
 Government veto system (Fertig) 11:17
 Socialism by seduction (Chamberlin) 6:19
 To the gallows (Royster) 3:33
 Will the real price administrator please stand up! (Howard) 4:46
 GUMMERE, John F.
 Independent school, *The*. 7:50-51
 HAND, Learned
 Spirit of liberty, *The*. 7:18-19
 HARVARD and Thomas Hollis
 First liberty library (Rothbard) 10:56
 HAZLITT, Henry
 Case for international investment, *The*. 8:16-25
 Fallacy of foreign aid, *The*. 2:41-51
 Income without work. 7:20-36
 Socialism, U. S. style. 9:33-34
 HISTORY, ancient
 Constitutions should say no (Chamberlin) 7:3
 Please step aside (Roche) 6:13
 HISTORY, interpretation/writing of
 Flight from reality, 16, 17 (Carson) 1:34; 2:24
 On heroes, history, and our heritage (Thornton) 8:12
 HOW price control leads to socialism (Mises) 6:23
 HOW to finance a war (Fox) 7:12
 HOWARD, Irving E.
 Will the real price administrator please stand up! 4:46-51
 HUMAN desire for freedom (Breese) 1:56
 HUMANS must be free, Why (Watts) 3:3
 HUSBANDS, Sam H., Jr.
 Sweden's great society. 1:18-22
 HUSTED, Ralph W.
 Moral foundation of freedom, *The*. 3:23-33
 IDEAS/ideals/ideologies — importance of
 Admission of failure (Shorrock) 7:36
 Flight from reality, 16, 17, 22, 26 (Carson) 1:34; 2:24; 7:38; 11:36
 Moral foundation of freedom (Husted) 3:23
 On heroes, history, and our heritage (Thornton) 8:12
 Principle of political polarity (Stewart) 5:57
 Voice of a brother's blood (Sollitt) 9:14
 IN case of difference (Lewis) 11:22

INCENTIVE

- Cure for poverty . . . (Chamberlin) 2:3
 Human desire for freedom (Breese) 1:56
 Property and poverty (Poirot) 2:10

INCOME without work (Hazlitt) 7:20

INDEPENDENT school (Gummere) 7:50

INDIVIDUAL action/choice

- Am I my brother's keeper? (Bird) 5:54
 Men of prey (Read) 10:27
 Money and free markets . . . (Watts) 1:48
 Some reflections on robots (Read) 8:32
 Why humans must be free (Watts) 3:3

INDIVIDUALISM vs. racism (Wortham) 1:13

INFLATION

- Cost of living (Poirot) 10:8
 "Creative federalism" (Read) 7:9
 Fiat money inflation in France (White) 12:23

- How to finance a war (Fox) 7:12
 Interest rates are rising (Sennholz) 12:17

INSTITUTE of Directors (London)

- Assault on free enterprise, *The*. 8:41-44

INSURANCE problems (Poirot) 5:30

INTEREST RATES

- Coming serfdom in India (Shenoy) 12:36n
 Interest rates are rising (Sennholz) 12:13

INVESTMENT, private

- Case for international investment (Hazlitt) 8:16
 Private enterprise . . . (U.S. Steel Corp.) 6:37

JENNINGS, Frederic Beach, Jr.

- Values, exchange, and profits: the bedrock of economic science. 9:52-58

JOHNSON'S defense of property, Dr. (Valance) 9:16

JOURNAL of Commerce

- Serpentine gauntlet, *The*. 1:45-47

JUSTICE

- Please step aside (Roche) 6:13

KENNEDY, John F. — ideas of

- Flight from reality, 25 (Carson) 10:42

KEYNES, John Maynard — ideas of

- For want of something better (Chamberlain — Book review) 10:60

LABOR/wages/unions

- Case of the free rider (Farrell) 10:12
 Protective taxes and wages (Sumner) 11:56
 Supremacy of the market (Mises) 10:19

LAND reform

- Fallacy of foreign aid (Hazlitt) 2:46

LAW of liberty (Sollitt) 11:33

LEWIS, Edward A.

- In case of difference. 11:22-23

LIBERTY. *See* Freedom

LITERATURE/books/reading

- First liberty library (Rothbard) 10:56
 Flight from reality, 17, 21 (Carson) 2:29; 6:42
 Lord Gifford's legacy (Opitz) 3:36
 Some thoughts on censorship (Opitz) 6:56

MACRO malady (Read) 2:52

MARKET price of burros (Bellerue) 4:44

MARX, Karl — ideas of

- Flight from reality, 17, 20 (Carson) 2:29; 5:42

MEEK, Loyal

- Freedom to sift and winnow. 9:50-51

MELIORISM

- Flight from reality, 17, 20, 22, 25 (Carson) 2:24; 5:33; 7:40; 10:30

MEN of prey (Read) 10:21

MERCANTILISM

- Flight from reality, 18 (Carson) 3:16
 Progress or regress? (Sennholz) 4:33

MISES, Ludwig von

- How price control leads to socialism. 6:23-25

- Observations on the Russian reform movement. 5:23-29

- Supremacy of the market, *The*. 10:17-20

MONEY and free markets . . . (Watts) 1:48

MONOPOLY, defined

- Flight from reality, 20 (Carson) 5:38

MONT Pelerin Society

- Adenauer's Memoirs (Chamberlain — Book review) 8:63

- Businessman — hero or villain? (Peterson) 7:52

- Case for international investment (Hazlitt) 8:16

- Welfare without the welfare state (Brozen) 12:40n

MORAL foundation of freedom (Husted) 3:23

MOREELL, Ben

- Safety of the people, *The*. 9:3-13

NATURAL law/order

- Author of liberty (Opitz) 1:3
 Law of liberty (Sollitt) 11:33
 Lord Gifford's legacy (Opitz) 3:36
 Safety of the people (Moreell) 9:3

NEGATIVE income tax

- Income without work (Hazlitt) 7:31
 State swelled and the people shrank (Chamberlin) 5:18

NEWELL, Robert K.

- Freedom through education. 5:11-14

OBSERVATIONS on the Russian reform movement (Mises) 5:23

- OF birds and men (*Spiegel*) 4:51
- ON heroes, history, and our heritage (Thorn-ton) 8:12
- ON the redistribution of incomes (Shenoy) 4:18
- OPITZ, Edmund A.
 Author of liberty. 1:3-5
 Freedom nobody wants, *The*. 11:3-16
 Lord Gifford's legacy. 3:36-42
 Rats are chasing the cats, *The*. 2:21-23
 Some thoughts on censorship. 6:56-60
See also Book reviews
- PATON, W. A.
 U.S.A.: disaster area. 2:16-20
- PAY TV ... (Gillett) 4:38
- PETERSON, William H.
 Businessman — hero or villain? *The*. 7:52-59
- PLANNING, governmental
 Coming serfdom in India (Shenoy) 12:35
 Flight from reality, 18, 25 (Carson) 3:8;
 10:33
 Foreign aid ... (Bauer) 12:28
 Macro malady (Read) 2:52
 State economic planning ... (Chamberlin)
 1:27
 Two philosophies of freedom (Sollitt) 5:48
 Why humans must be free (Watts) 3:5
- PLEASE step aside (Roche) 6:13
- POIROT, Paul L.
 Cost of living, *The*. 10:8-11
 Insurance problems. 5:30-32
 Property and poverty. 2:10-15
 Scarcity of silver, *The*. 5:64
 Vital secret, *The*. 9:23-24
 Weakness corrupts. 8:3-12
- POLITICAL action
 Canute and the counting of noses (Fox)
 10:44
 Flight from reality, 23, 26 (Carson) 8:49;
 11:40,50
 Principle of political polarity (Stewart)
 5:57
 Serpentine gauntlet (*Journal of Commerce*)
 1:45
- POLITICAL privileges/interests/pressure
 groups
 Flight from reality, 23, 26 (Carson) 8:49;
 8:46
 Welfare without the welfare state (Brozen)
 12:43
- "POVERTY" and government action
 Armchair skirmish against poverty
 (Wheeler) 4:23
 Cure for poverty ... (Chamberlin) 2:3
 Income without work (Hazlitt) 7:20
 Property and poverty (Poirot) 2:10
 Welfare without the welfare state (Brozen)
 12:40
- PRICES, control and regulation of
 Government veto system (Fertig) 11:17
 How price control leads to socialism (Mises)
 6:23
 Serpentine gauntlet (*Journal of Commerce*)
 1:45
 Will the real price administrator please
 stand up! (Howard) 4:46
- PRICES/pricing
 Cost of living (Poirot) 10:8
 Values, exchange, and profits... (Jennings)
 9:52
- PRINCIPLE of political polarity (Stewart)
 5:57
- PRIVATE enterprise in the public interest
 (U.S. Steel Corp.) 6:37
- PRIVATE rights and government (Suther-land) 6:26
- PROFIT-and-loss system
 Six misconceptions about consumer welfare
 (Dean) 1:22
 Values, exchange, and profits... (Jennings)
 9:52
- PROGRESS — the flower of freedom (Read)
 6:3
- PROGRESS or regress? (Sennholz) 4:33
- PROPAGANDA, governmental
 Flight from reality, 26 (Carson) 11:48,50,
 53
- PROPERTY, Dr. Johnson's defense of (Val-lance) 9:16
- PROPERTY and poverty (Poirot) 2:10
- PROTECTIVE taxes and wages (Sumner)
 11:56
- PUNCH (London) — cartoon
 Decries "No compromise." 10:28-29
- RACIAL minorities
 Black and conservative (Chamberlain —
 Book review) 12:53
 Fiasco of urban renewal (Anderson) 3:56
 Flight from reality, 24 (Carson) 9:36
 Individualism vs. racism (Wortham) 1:13
- RAILROADS
 Flight from reality, 17 (Carson) 2:35
 Today's robber barons (Schumacher) 3:42
- RAND, Ayn
 Roots of war, *The*. 11:24-32
- RATS are chasing the cats (Opitz) 2:21
- READ, Leonard E.
 Case for willing exchange, *The*. 9:25-32
 "Creative federalism." 7:9-11
 Macro malady, *The*. 2:52-59
 Men of prey. 10:21-27
 Progress — the flower of freedom. 6:3-12
 Some reflections on robots. 8:32-40
- REALITY, flight from. *See* Carson

- REAM, Norman S.
Clergyman looks at free enterprise, A. 8:26-31
See also Book reviews
- REDISTRIBUTION of incomes, On the (Shenoy) 4:18
- RELATIVISM/relativity, moral and intellectual
Erosion of the mind (Brown) 5:3
Relativity of relativity (Upton) 1:6
- RELIGION/morality/ethics
Am I my brother's keeper? (Bird) 5:54
Relativity of relativity (Upton) 1:6
Safety of the people (Moreell) 9:9
- ROBOTS, Some reflections on (Read) 8:32
- ROCHE, George Charles, III
American federalism; origins. 12:3-12
Please step aside. 6:13-16
- ROOSEVELT, Franklin D. — ideas of
Flight from reality, 25, 26 (Carson) 10:42; 11:45,46
Two philosophies of freedom (Sollitt) 5:51
- ROOSEVELT, Theodore — ideas of
Flight from reality, 25, 26 (Carson) 10:33; 11:46
- ROOTS of war (Rand) 11:24
- ROTHBARD, Murray N.
First liberty library, The. 10:56-59
- ROYSTER, Vermont
To the galleys. 3:33-35
- RUSSIA and Iron Curtain countries
Observations on the Russian reform movement (Mises) 5:23
State economic planning ... (Chamberlin) 1:27
Why humans must be free (Watts) 3:5
- SACRILEGE and cupidity ... (Bradford) 2:38
- SAFETY of the people (Moreell) 9:3
- SARNOFF, David
State swelled and the people shrank (Chamberlin) 5:19
- SCARCITY of silver (Poirot) 5:64
- SCHOOLS, private
Independent school (Gummere) 7:50
Visit with a headmaster (Wheeler) 10:49
- SCHOOLS, public
Flight from reality, 22, 24 (Carson) 7:45; 9:35
Weakness corrupts (Poirot) 8:7
- SCHUMACHER, K. Fritz
Today's robber barons. 3:42-45
- SEMANTICS/language/terminology
Case for willing exchange (Read) 9:25
"Creative federalism" (Read) 7:9
Erosion of the mind (Brown) 5:3
- SENNHOLZ, Hans F.
Interest rates are rising. 12:13-22
Progress or regress? 4:33-37
- SERPENTINE gauntlet (*Journal of Commerce*) 1:45
- SET my people free (Breese) 10:3
- SHENOY, Sudha R.
Coming serfdom in India, The. 12:35-39
On the redistribution of incomes. 4:18-22
- SHOROCK, Donald Walter
Admission of failure, An. 7:36-37
- SILVER
Decline and Fall ... (Chamberlain — Book review) 6:61
Scarcity of silver (Poirot) 5:64
- SIX misconceptions about consumer welfare (Dean) 1:22
- SMEETH, William B.
Visit with a headmaster (Wheeler) 10:49
- SOCIAL reform
Admission of failure (Shorock) 7:36
Flight from reality, 16, 18, 19, 21, 24, 25, 26 (Carson) 1:34; 3:8; 4:3; 6:42; 9:35; 10:30; 11:36
- SOCIAL security
Insurance problems (Poirot) 5:30
- SOCIALISM
Flight from reality, 26 (Carson) 11:36
How price control leads to socialism (Mises) 6:23
Observations on the Russian reform movement (Mises) 5:23
- SOCIALISM by seduction (Chamberlin) 6:17
- SOCIALISM, U. S. style (Hazlitt) 9:33
- SOLLITT, Kenneth W.
Law of liberty, The. 11:33-35
Two philosophies of freedom. 5:48-53
Voice of a brother's blood, The. 9:14-15
- SOME reflections on robots (Read) 8:32
- SOME thoughts on censorship (Opitz) 6:56
- SPIEGEL, Der
Of birds and men. 4:51-53
- SPIRIT of liberty (Hand) 7:18
- STATE economic planning ... (Chamberlin) 1:27
- STATE swelled and the people shrank (Chamberlin) 5:15
- STEWART, Daniel K.
Principle of political polarity, The. 5:57-60
- SUBSIDIES, effects of
Income without work (Hazlitt) 7:31
U.S.A.: disaster area (Paton) 2:16
Weakness corrupts (Poirot) 8:3
Welfare without the welfare state (Brozen) 12:50
- SUBWAYS
Socialism, U. S. style (Hazlitt) 9:33
- SUGAR
Serpentine gauntlet (*Journal of Commerce*) 1:45
- SUMNER, William Graham
Protective taxes and wages. 11:56-59

- SUPREMACY of the market (Mises) 10:17
 SUTHERLAND, George
 Private rights and government. 6:26-36
 SWEDEN'S great society (Husbands) 1:18
- TAXATION, effects of
 Income without work (Hazlitt) 7:29
 Today's robber barons (Schumacher) 3:42
- TELEVISION
 Pay TV . . . (Gillett) 4:38
- THORNTON, Robert M.
 On heroes, history, and our heritage. 8:12-15
 See also Book reviews
- TO the gallows (Royster) 3:33
- TOCQUEVILLE, Alexis de — ideas of
 State swelled and the people shrank (Chamberlin) 5:16
- TODAY'S robber barons (Schumacher) 3:42
- TRADE, international
 Case for international investment (Hazlitt) 8:16
 Protective taxes and wages (Sumner) 11:56
- TRANSPORTATION subsidies
 Weakness corrupts (Poirot) 8:9
 See also Railroads; Subways
- TRUTH/principles
 In case of difference (Lewis) 11:22
 Rats are chasing the cats (Opitz) 2:21
- TWO philosophies of freedom (Sollitt) 5:48
- UNDEVELOPED countries
 Foreign aid . . . (Bauer) 12:25
 On the redistribution of incomes (Shenoy) 4:18
- U.S.A.: disaster area (Paton) 2:16
- U. S. CONSTITUTION, basic principles
 Flight from reality, 23, 24 (Carson) 8:45; 9:35
 Moral foundation of freedom (Husted) 3:23
 Safety of the people (Morell) 9:3
- U. S. CONSTITUTION, checks and balances
 American federalism . . . (Roche) 12:3
 Constitutions should say no (Chamberlin) 7:3
- U. S. STEEL Corporation
 Private enterprise in the public interest (from 1965 Report) 6:37-41
- U. S. SUPREME Court
 Flight from reality, 23, 24 (Carson) 8:58; 9:35
- UPTON, Miller
 Relativity of relativity, The. 1:6-12
- URBAN renewal, Fiasco of (Anderson) 3:46
- VALLANCE, Stephen R.
 Dr. Johnson's defense of property. 9:16-22
- VALUE theory
 Market price of burros (Bellerue) 4:44
 Values, exchange, and profits . . . (Jennings) 9:52
- VISIT with a headmaster (Wheeler) 10:49
- VITAL secret (Poirot) 9:23
- VOICE of a brother's blood (Sollitt) 9:14
- WAR
 Flight from reality, 18 (Carson) 3:17
 How to finance a war (Fox) 7:12
 Roots of war (Rand) 11:24
 Voice of a brother's blood (Sollitt) 9:14
- WATTS, V. Orval
 Money and free markets: a summary. 1:48-55
 Why humans must be free. 3:3-7
- WEAKNESS corrupts (Poirot) 8:3
- WEALTH/income, equality/inequality
 Cure for poverty . . . (Chamberlin) 2:5
 Dr. Johnson's defense of property (Vallance) 9:16
 On the redistribution of incomes (Shenoy) 4:18
 Welfare without the welfare state (Brozen) 12:40
- WEATHER
 U.S.A.: disaster area (Paton) 2:16
- WELFARE state
 Of birds and men (*Spiegel*) 4:51
 State swelled and the people shrank (Chamberlin) 5:15
 Sweden's great society (Husbands) 1:18
- WELFARE without the welfare state (Brozen) 12:40
- WHEELER, Timothy J.
 Armchair skirmish against poverty, The. 4:23-33
 Visit with a headmaster. 10:49-55
- WHITE, Andrew Dickson
 Fiat money inflation in France. 12:23-24
- WHY humans must be free (Watts) 3:3
- WILL the real price administrator please stand up! (Howard) 4:46
- WILLING exchange, Case for (Read) 9:25
- WILSON, Woodrow — ideas of
 Flight from reality, 23, 25, 26 (Carson) 8:54; 10:41; 11:45
 Men of prey (Read) 10:21
- WORTHAM, Anne
 Individualism versus racism. 1:13-17

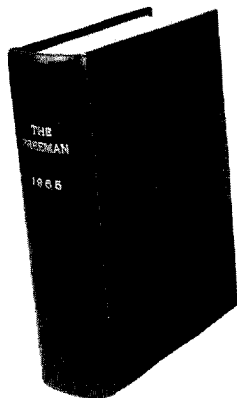
BOOK REVIEWS

(Reviewer's name in parentheses)

- ADENAUER, Konrad. *Memoirs, 1945-53* (Chamberlain) 8:60
- BOORSTIN, Daniel J. *The image: a guide to pseudo-events in America* (Thornton) 1:63
- CONE, Carl B. *Burke and the nature of politics* (Opitz) 4:62
- CURRY, James E. *Public regulation of the religious use of land* (Opitz) 4:57
- DOS PASSOS, John. *The best times* (Chamberlain) 11:60
- GARBER, Lyman A. *Of men and not of law* (Chamberlain) 7:60
- GWYNN, F. L. and BLOTNER, J. L., eds. *Faulkner in the university* (Thornton) 9:63
- HERMANN, Mogens V. *Contribution and reward* (Chamberlain) 2:60
- IBELE, Oscar H. *Introduction to political science* (Opitz) 2:63
- INGWALSON, Kenneth W., ed. *Your church — their target* (Ream) 7:63
- JAMES, Ralph and Estelle. *Hoffa and the teamsters: a study of union power* (Chamberlain) 4:54
- KIRK, Russell. *The intemperate professor and other cultural splenetics* (Thornton) 8:63
- KRUTCH, Joseph Wood. *Henry David Thoreau* (Thornton) 1:62
- LARSON, Martin A. *Church wealth and business income* (Opitz) 4:57
- LEKACHMAN, Robert. *The age of Keynes* (Chamberlain) 10:60
- MARTS, Arnaud C. *The generosity of Americans* (Christenson) 11:63
- MOLLENHOFF, Clark R. *Despoilers of democracy* (Chamberlain) 3:60
- MORGENTHAU, Hans J. *Scientific man versus power politics* (Thornton) 4:61
- MUGGERIDGE, Malcolm. *The most of Malcolm Muggerridge* (Thornton) 9:62
- RICKENBACKER, William F. *Wooden nickels* (Chamberlain) 6:61
- ROGERS, Donald. *The end of free enterprise* (Chamberlain) 9:59
- RUSHDOONY, Rousas J. *This independent republic* (Chamberlain) 1:59
- SCHUYLER, George S. *Black and conservative: autobiography* (Chamberlain) 12:53
- STRAUSS, Leo and CROPSEY, Joseph, eds. *History of political philosophy* (Opitz) 2:63
- WEAVER, Richard. *Life without prejudice* (Thornton) 3:63
- WEST, E. G. *Education and the state* (Chamberlain) 5:61

FILLERS

- AMIEL, Henri. Order, 1:47
- ANDERSON, Maxwell. Treason to freedom, 1:64
- CURTISS, W. M. Comparative advantages, 11:59
- EMERSON, Ralph Waldo. Self-reliance, 1:12
- FEATHER, William. Extra, 5:14
- Labor saver, 8:40
- Opportunities to "do good," 1:55
- Pioneers, 4:64
- FISHER, Paul. Lincoln, today, 3:45
- FLEMING, Harold. Climate for progress, 8:25
- HARPER, F. A. Mutual gain, 4:45
- What price control means, 6:25
- HAZLITT, Henry. Marxism in one minute, 2:9
- HONG KONG Peninsula Hotel. The crafty Communists, 1:26
- JACOBSON, Victor. Individuals know best, 7:51
- LOWELL, James Russell. Work and application, 5:53
- LUBELL, Samuel. Political decisions, 6:41
- MADISON, James. Majority rule, 10:43
- Separation of powers, 9:51
- MILTON, John. A good book, 6:60
- MISES, Ludwig von. The politics of peace, 11:32
- Profit-seeking business, 9:58
- NAPOLEON. The misfortunes of intervention, 8:44
- PASSER, Harold C. Consumerism vs. communism, 11:16
- PLATO. First principles, 2:51
- PTAH-HOTEP. Ancient advice, 1:5
- PUFFENDORF, Samuel de. Benefactor to his fellows, 8:31
- RICHMOND NEWS LEADER. Against nature, 4:53
- RUSSELL, Dean. Persons and groups, 2:20
- SHUMAN, Charles B. The greatest threat, 5:22
- SPENCER, Herbert. A question of property, 9:22
- STONE, Louis. Subsidies work, 5:29
- SUMNER, William Graham. Princes and paupers, 7:37
- TEN HOOR, Marten. We cannot escape ourselves, 10:55
- WHITE, Andrew Dickson. Pay cash, 7:17



BOUND VOLUMES OF
The Freeman—1965

Attractively sewn in a single volume with hard cover, the 12 issues from January through December, fully indexed—768 pages, for handy reference to the latest literature on freedom.

Only \$5.00

These bound volumes of THE FREEMAN match in appearance and otherwise continue the 12-volume series of *Essays on Liberty* containing selections from THE FREEMAN and other Foundation releases back to 1946. (A separate cumulative subject matter, author, and title index is available for the 12 volumes of *Essays on Liberty*. \$1.00.)

Bound volumes of THE FREEMAN for 1966 will be available shortly after the end of the year.

ORDER YOUR BOUND VOLUMES NOW!

THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, N. Y. 10533

Please send me:

THE FREEMAN for 1965 \$ 5.00 ☐

THE FREEMAN for 1965 and 1966 (The 1966 volume
to be shipped when ready) \$ 9.00 ☐

ESSAYS ON LIBERTY (Set of 12, with cumulative index) Cloth \$30.00 ☐
Paper \$20.00 ☐

☐ CHECK ENCLOSED

☐ SEND INVOICE

NAME _____

STREET _____

CITY _____

STATE _____ ZIP CODE _____

THE *Freeman*



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

PEACE ON EARTH—

■ There has never been nor will there ever be a time when all men are equal in their capacities and conditions here on earth. The nature of the individual as well as the nature and continuity of human society, demands these unflinching differences. Without the wide diversification of talents, taste, abilities, and ambitions that now and always exist among men, society could neither feed nor clothe itself. It is consequently a wise provision of Providence that causes the perpetuation of endless variety in the desires and capabilities of human beings. Sparked with personal liberty and the natural personal incentive to own property and advance economically, this conglomeration of inequality synchronizes into a great engine for the sustenance and progress of mankind.

CLARENCE MANION, The Key to Peace

To:

street

city

state

zip code

PLACE
6-CENT
POSTAGE
HERE