

the Freeman

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the Freeman

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PRIVATE MAIL

could be a public boon

MELVIN D. BARGER

THE POSTMAN is figuratively ringing twice in a number of American cities these days. One of the rings could be sweet music to citizens angered by the growing problems of the Federal postal system.

The new courier on the scene is the Independent Postal System of America, making its appointed rounds now in many cities and soon to open services in more. IPSA, established in February, 1968, is an upstart in the communications field and an infant among corporations. But it has made a sensational start and has all the earmarks — or perhaps postmarks — of being the right idea at the right time.

One man who obviously thinks so is its founder, 42-year-old Tom Murray, who already pictures

IPSA jetting ahead into the billion-dollar class. Murray, a restless, entrepreneurial type, could be accused of exaggeration, except for several interesting facts. One, IPSA has already landed enough sales to produce \$1 million in profits during its first year of operation. Two, the potential market is there; postal services run into billions and could go much higher in the years ahead. Three, public opinion is turning bitterly against the U.S. Post Office Department, and the times are right for constructive change.

The last item may turn out to be a matter of considerable importance to IPSA's future. Until a few years ago, the public accepted the government postal monopoly as a fact of life; some people even seemed to believe that only government had the competence to

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carry mail. A suggestion that private corporations could handle postal services with greater efficiency and economy was often hooted down; it was like suggesting that a private company take over the Washington Monument or the U.S. Coast Guard.

But a number of things have made a private mail system more acceptable in the public mind. Postal service seems to be deteriorating, or at least not keeping up with the noticeable advances in other services (such as the telephone system). The yearly postal deficits are always well-publicized, causing people to wonder frequently "why the Post Office can't at least pay its own way." There have also been the annoying rate increases and raging legislative battles over proposed rate boosts for different classes of mail. Attempts to raise third-class rates have enraged business mailers, and efforts to change the admittedly low rates for publishers has probably contributed something to the bad press the Post Office has been getting.

There may also be some disillusionment over the frequent crusades to make the Post Office more businesslike, an effort that seems to be revived with each change of administration. There was honest hope that Arthur E. Summerfield, a successful Michigan business-

man, might succeed in this when he joined the Cabinet in 1953 as President Eisenhower's Postmaster General. Summerfield did make some needed improvements in using private capital to provide for new post office building construction, but he also incurred the hostility of the postal unions and faced considerable political opposition to many of his plans. Summerfield's reign at the Post Office proved that the Department's problems couldn't be solved simply by putting an astute businessman in the head chair.

The Kappel Proposal

The latest play in the attempt to buck up the faltering Post Office was the proposal by the Kappel Commission to put the Department under a government corporation. Mr. Kappel, the retired board chairman of the giant American Telephone and Telegraph Company, was doubtlessly chosen to study the Post Office because of his own impressive career in a related communications field. The Kappel proposal now has the endorsement and active backing of President Nixon, but it faces stiff opposition in Congress and from the postal unions. Right now the Kappel plan appears dead. If organized along lines suggested by Mr. Kappel, the Post Office might conceivably become better

administered, with less interference from Congress and more control over its own operations. However, the Kappel recommendation is essentially an attempt to remedy the shortcomings of a socialistic enterprise by converting it to another organizational form; it still rests on the delusion that socialism can be made to work if only the right combination of management and organization can be found.

The question of private ownership of the Post Office did get an airing by Mr. Kappel, who dismissed the idea of selling the Post Office because, with the Post Office's deficit, liabilities, and investment needs, "you couldn't sell it to anybody."

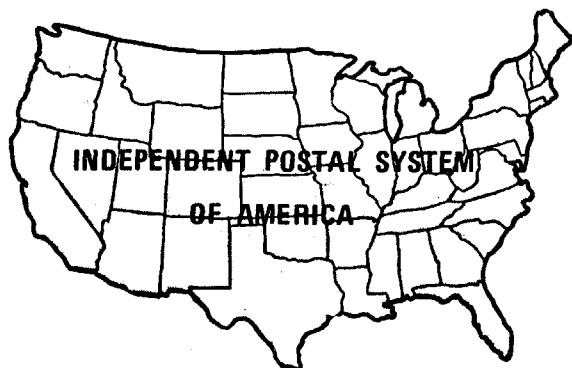
The fact that the question of "selling" the Post Office was even asked shows that there's growing interest in a private postal system. Mr. Kappel's answer revealed the philosophical limitations of a man who has spent his own lifetime in a monopolistic enterprise, albeit a highly successful one. He did not seem to be thinking of the possibility that postal services could be supplied by new organizations, not just the one now in existence. He apparently could not bring himself to the point of proposing that anybody ought to be allowed to carry any class of mail, that mail deliveries

should not be a legal monopoly of either a public or a private organization.

From Bellboy to Mailman

Against this background of mounting dissatisfaction with the Post Office, Tom Murray's Independent system has come into existence. Murray had no previous postal experience and would have had trouble getting a minor position in the Federal System. An Irish immigrant, he came to America in 1950 and began his business career as a bellboy in a Detroit hotel. Before long, however, he had become manager, and after that his rise was spectacular. The Mayor of Detroit actually proclaimed a "Tom Murray Day" in 1955, in recognition of Murray's outstanding service in community affairs. He was soon hotel owner as well as manager.

Murray's interest in hotels eventually took him to Oklahoma City where a conversation over a cup of coffee finally nudged him into the mailing business. A local businessman, Darrell Hinshaw, was complaining about his own growing difficulties with postal services. This was nothing new. But the complaints went a step further. Murray soon had some calculations and surveys which indicated that a private company might be able to carry third-class



mail at lower rates than the government and still make a profit!

The figures fired Murray's imagination, particularly the business potential involved. Hotels and motels, as everybody knows, work in a field of fierce competition, with top limits on the growth that even the most successful firm can achieve. But here in the mailing field the potential market for third-class mail alone was in the billions. If a private company could break into the field and establish its own position, it could not only share this market but also participate in future growth of breathtaking proportions.

A Loophole for Deliveries

But how could a private firm enter the field when legislation prohibited it? Private mailing companies had actually flourished in early America, but by the mid-

dle of the last century had been driven out of business by the Federal Private Express Statutes. How could Murray work his way around statutes that had barred other businessmen from the mails for so long?

His door of entry was third-class mail, which has been shrilly condemned as "junk mail" in recent years and at times has been held responsible for many of the Post Office Department's problems. There's a fine line between "third-class" mail and circulars. A business firm for example, has the legal right to deliver printed material to residences, but not to use the mailboxes. Murray dashed off to a Third-class Mailers' convention, and listened to their gripe and problems, and also found them receptive to the idea of a private delivery system.

"I felt that the Third-class

Mailers had made a major error in permitting their products to be labeled 'junk'," Murray says. "Third-class mail isn't junk, and it deserves its rightful place in the area of commerce."

Certain by now that he was on track, Murray found a group of backers who could put up \$50,000 immediately and underwrite an additional \$2 million for later expansion. By January, 1968, he had incorporated IPSA, opened offices in Oklahoma City, and announced plans to begin service in February. Deliveries would begin in the city, and then fan out to nearby states, with the long-range goal of becoming nationwide. As if to emphasize the nationwide goal, Murray chose an outline map of the U. S. for the system's trademark and insignia.

Disposable Mailboxes

Announcement of the daring venture captured the public interest; yet it also seemed a too-risky exercise in audacity. *Newsweek* magazine called it a "showdown" with the Post Office, and hinted that Murray would be blocked by Federal authorities. Reporting that Murray had already signed delivery contracts with a rubber firm and an insurance company, *Newsweek* also cited a Post Office Department legal counsel's opinion to the effect that Murray's opera-

tions were illegal, that nobody but the Post Office has the right to carry any class of mail. The magazine also suggested that Murray would be courting real trouble when he began making delivery in home mailboxes.

If there was any showdown, nobody in IPSA's headquarters ever noticed, because the Independent System swung into operation on its announced starting date and was soon making almost routine coverage of most of Oklahoma City. Murray wisely avoided challenging the Post Office Department ruling on use of home mailboxes, and developed an attractive plastic container which can be suspended from most doorknobs. The container not only protects the mail and other articles, but one side also serves as an advertisement for the Independent System. The other side has been sold as an advertisement for other firms, actually making the plastic container a profit item instead of an additional cost burden. IPSA would still like to use private mailboxes and is currently trying to get approval of a dual-compartment type, but the plastic bag is doing very well for the time being.

Murray's customer list multiplied almost magically, and by the end of the first year the system had served more than 100 clients and was operating in every major

Oklahoma city as well as communities in Texas, Missouri, Ohio, Arkansas, Alabama, Mississippi, Illinois, New York, and even Canada. The company was expanded rapidly by selling franchises, and received hundreds of inquiries from private individuals seeking their own postmasterships. At the same time, IPSA was getting remarkable press attention, almost all of it favorable. *Newsweek's* follow-up article after IPSA's first year was largely a success story and other publications such as *Saturday Review* and *Nation's Business* saw a bright future for the Independent System, the latter calling it a possible end to the "130-year-old Postal mess."

Guided by the Market

Surprisingly, however, many of the Independent System's operations seem to be similar to those of the Federal department. The couriers still travel on foot, and use vans closely resembling U. S. Postal vehicles. IPSA deliverymen and U. S. mailmen wear almost identical uniforms, walk the same routes, and are often chased by the same dogs. What innovations have given the Independent System an edge, allowing it to take business away from the government mails?

One advantage has been price. Generally, IPSA has been able to

deliver third-class articles at about 90 per cent of the Federal rate. A 2½ ounce item, for example, can be delivered by IPSA for 3.3¢, versus 3.8¢ for the U. S. rate. More important, IPSA can guarantee a specific delivery date, which many business mailers such as local retailers must have in publicizing special sales and other events. The Independent System has no "first-class" mail taking precedence in employees' minds, and hence all mail is given the same attention.

Beyond that, IPSA's business-like approach to problems may be winning them some clients. IPSA salesmen are making regular calls on large business mailers, such as Sears Roebuck, making it clear that their patronage is wanted and appreciated and offering to make service as attractive as possible. Until now, it has been the business mailer who has had to go hat-in-hand to deal with Postal bureaucrats and to be reminded of his product's inferior status in Post Office operations. It must be refreshing to most of them not to hear the term "junk" anymore.

Is IPSA actually handling third-class mail more economically than the government? Probably, although nobody can prove it because the Federal system has no systematic approach to its own costs and cannot say for certain

that any class of mail is profitable or unprofitable. As a politicalized institution, the Post Office has simply carried the mail at rates established by Congress, then appealed to the same Congress to make up its annual "deficit." Even the deficit has been something of a myth, however, because the Department doesn't follow customary accounting practices for its overall operations and cannot really be compared with a corporation of similar size. For one thing, capital expenditures for the Post Office have been intolerably low almost every year and there are no indications that Congress will be willing to make them any higher.

The Uncertain Future

Where will it all end? Will Murray's Independent System continue to flourish and grow until it replaces the Federal Post Office? Or will the two systems continue to operate side-by-side, with Murray's organization specializing in "third-class" and the U. S. Post Office carrying the rest of the mail?

Most likely, IPSA's growth and success will turn out to be a source of embarrassment to the Federal mail carriers. In time, the department might conceivably want to restrict IPSA's operations. But this would bring it into collision with public opinion, which wouldn't

support favoring the government's Goliath at the expense of Murray's David. If anything, public opinion may veer in the direction of permitting Murray or anybody to haul *all* classes of mail. If so, this would be a tremendous victory for free enterprise, and would finally give libertarians a chance to prove on a wide basis what they have always contended: that private businessmen can deliver the mail for a profit and give the consumer the same efficient service he gets in the delivery of other items.

Some persons believe that a private competitor may cause the Federal system to bestir itself to more efficiency. But don't look for it. The faults with the U. S. Post Office are the basic shortcomings of a socialistic, politicalized bureaucracy, and the officials and others working in the system, even if somehow they could know what ought to be done, are powerless to make the necessary changes. They simply can't make and carry out the day-to-day adjustments and decisions necessary to a good business operation. That's no surprise; it is the nature of socialism to centralize authority, to distort the price signals of the market, to discourage individual incentive, and to subsidize incompetence. Ironically, most of the schemes for correcting socialistic excess — such as the Kappel

plan for the Post Office — really involve creating some of the conditions that prevail as a matter of course in private, profit-minded corporations.

It is also unfortunate that most people think it will take Acts of Congress to give us better mail service. We could have it right now if Congress would only repeal some of the Acts it has already passed. We simply need the free-

dom to *let anybody carry mail*. Right now, Tom Murray seems to be doing a great job with the "junk" mail the U. S. Post Office doesn't want to handle. He might do even better if he could carry all classes of mail. And suppose a few other private carriers also got into the mail-carrying business? Who knows? Even Murray might do better under the lash of competition!



Unbeatable Combination

WHEN the sanitation workers of New York City went on strike, the community was confronted with a calamitous pileup of garbage on its streets. Now a late press release tells of the garbage collection troubles of Madrid, Spain. But unlike New York, in Madrid, the sanitation workers of the city have competitors in the form of private garbage collectors.

According to the news report, "Madrid's 800 prosperous freelance garbage collectors . . . compete with the Municipal Sanitation Department in this capital of three million people." The freelancers are known in Spanish as the "traperos." They have been an institution of Madrid since the reign of King Charles III in the 18th Century. They are allowed to operate from dawn until 9 a.m. They collect garbage the same as they did in medieval times with donkey-drawn carts. They collect the equivalent of 35 to 70 cents monthly from each customer but that is not all. The trash they collect is a source of income. They use the perishable garbage to feed pigs, other items are sold to a processing plant, furniture and old clothes wind up at Madrid's flea market. The private enterprise garbage collectors of Madrid earn the equivalent of nearly \$200 monthly — a high income in Spain. This compares with an average wage for Madrid's sanitation workers of \$60 to \$70 a month.

In garbage collecting, as in every other walk of life, incentive and private enterprise are an unbeatable combination. If the municipal garbage collectors of Madrid go on strike, their private enterprise competitors will likely be only too glad to take up the slack.

IDEAS ON



LIBERTY

FORECASTING



HANS F. SENNHOLZ

MANY business forecasters and market analysts don't realize that they owe their jobs to government. Their profession was born with the first depression that engulfed an economy. And since depressions are the inevitable consequence of inflation and credit expansion, which are deliberate government actions, all occupations and callings that are concerned with the business cycle ultimately owe their existence to government. As a certified public accountant earns his livelihood from the complexities of onerous taxation, so does the market forecaster and business economist derive his support from government policies that generate economic booms and busts.

Businessmen want to know where they are in the cycle. In particular, they would like to know the time when a boom turns to a bust, the date of the break, length and depth of depression, the beginning of recovery, and so on. It does not matter whether they fully understand the ultimate causes of the economic dilemma. They usually know from experience that a boom created by inflation or credit expansion cannot last and must lead to a slump. This is why they often call on economists and expect of them what is beyond the ability of any man.

It is true, many economists can explain logically why the boom plants the seeds for depression. They are aware of the differences between simple inflation and credit expansion, which confuse most

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businessmen. But they have no special crystal ball through which they can view the future.

Simple Inflation

It does not matter whether the government treasury issues new legal tender notes directly to the people or places its obligations in the banking system which then monetizes the debt. In both cases the proceeds accrue to the government for deficit spending, which is the characteristic of simple inflation. It creates an atmosphere of prosperity and affluence. While many prices rise, business profits are good, stock market profits are excellent, and wages soar. It is true, the unfortunate victims of inflation, such as pensioners and individuals who live on fixed incomes, are forced to curtail their consumption. But most businessmen, workers, and government employees are led to increase their consumption. In fact, businessmen may even consume some capital.

In addition, the expectation of rising prices causes many people to reduce their cash holdings. They prefer to purchase goods and services now before prices rise again. And this reduction in cash holdings in turn raises goods prices even further.

Economic production promptly adjusts to the inflation pattern of spending. Industries catering to

government demand and consumers' goods prosper and expand; other industries tend to lose some capital and labor. In fact, the capital consumption by government and business, in addition to the malinvestment of capital in inflated consumers' goods industry, creates a general shortage of capital. Interest rates soar. If the inflation is continued, interest rates will rise to astronomical levels, the purchasing power of money will fall, and the economy sink into deterioration and depression.

If the inflation should be halted before that dreadful finale, the economy will suffer the pains of readjustment. The inflated industries will contract, evidencing the symptoms of depression, stock prices decline, and interest rates fall. When the people are finally convinced that the inflation has come to an end, they may restore their normal cash holdings, which reaction tends to raise the value of money and reduce goods prices. And business will evidence more symptoms of recession.

Economists know all this. But they cannot know when the government will halt the inflation. After all, this is an arbitrary decision by the monetary authorities moved by political consideration, pressured by the beneficiaries of inflation, and misguided by inflationary doctrines. Even the mone-

tary authorities themselves may not know whether and when they will make the decision. Will they really stabilize the currency or merely reduce the rate of inflation? When will they resume the inflation? At what rate? And finally, no one can foresee the reaction of the people. When will they increase their cash holdings? How much?

Credit Expansion

Credit expansion differs materially from simple inflation. Newly created money enters the loan market where it lowers the interest rate. The U.S. government may balance its budget, but in order to stimulate business and promote full employment it may flood the banking system with new credits. The lower interest rates induce business to embark upon ambitious projects of expansion and modernization, which leads to a boom in such capital goods industries as steel and tool making.

It is obvious that this boom lacks the real capital that flows from savings and profits plowed back. It is based on newly created money and therefore, sooner or later, must induce the feverish chills of a maladjusted economy. The boom activity pushes up the prices of capital goods which are business costs. Also, labor costs tend to rise, which leads to

greater consumption expenditures and higher consumers' goods prices. But they usually trail behind the prices of producers' goods, which gradually reduce the profit margins of business. When the growing maladjustment of prices and costs finally inflict business losses, the depression begins. It is a period of readjustment and correction, in accordance with the true state of consumer choices and capital markets.

Many economists understand the causal connections of boom and depression. They know the irreparable harm done by credit expansion artificially induced in the structure of economic production. But they cannot possibly know the minds of the monetary authorities who initiate the credit expansion. How long will these men continue to feed the boom with more money? When will they finally be frightened by the consequences of their policies and decide to abandon them? Will they substitute credit contraction for expansion, or merely stabilize the money supply? Will they pursue the new course with conviction or waver between the new and the old? And when will the public realize that the signals have changed? What will trigger the stock market panic which indicates that the multitudes of investors are finally recognizing the change of signals and

rushing to adjust their investments to the new situation?

The Future Cannot be Calculated

There are no rules covering the political actions of man or fixing the time of his reaction. The future is uncertain, and therefore, it is impossible to calculate the future structure of the market. In fact, there are no constant relations in economics. For instance, the effects of a 10 per cent expansion of the money supply on goods prices is unpredictable. Prices may rise little or much, depending on the reaction of men to the inflation. A bumper crop of wheat that exceeds last year's crop by 20 per cent may cause prices to fall little or greatly, depending on the variable behavior of men. If a statistician ascertains that prices actually declined 5 per cent at a certain point of time in a certain market, he merely established a historical fact, no constant measurable relationship that is valid for all times and places.

In the natural sciences, the individual factors of change can be observed and measured in isolation. But no such isolation is possible in human action. Experiences are always complex phenomena that do not provide the factual bases on which theories and predictions can be built. They

cannot be made "quantitative" and be measured.

Quantitative economics, as it is practiced by central planners and would-be dictators, also disregards the market process. Its equations merely describe imaginary states of rest and equilibrium. It cannot explain why and how such states are brought about and cannot analyze actions that bring changes to the market process. The quantitative economist cannot perceive the activities of enterprising men, the entrepreneurs and speculators, who continually rearrange economic production in order to profit from price changes. In short, the economics of central planners is incapable of dynamic analysis; it is static and therefore contributes nothing to the elucidation of the market process. It miscalculates the future every time.

Entrepreneurial Judgment

The world is a scene of changes. Today is not yesterday, and tomorrow will not be today. We ourselves change. How, then, can we foretell man's works and deeds of tomorrow? Change, indeed, is painful, yet ever needful.

Entrepreneurs as businessmen and investors speculate on economic changes. They expose their wealth and income to the changes in the market place. In anticipa-

tion of specific changes they rearrange their factors of production in order to prepare for future consumer wants. If they anticipate future changes correctly, they will earn entrepreneurial profits; if their judgments are wrong, they will suffer losses.

Genuine profits, which must be distinguished from interest on invested capital and managerial remuneration of the businessman, flow from the correct anticipation of future changes in demand and supply, resulting from changes in fashion and technology, government intervention, labor union policy, competition, and even the weather. On the search for such profits entrepreneurs must walk lonely roads, for profits can be found only where others have not prepared for changes and failed to adjust in time. When the multitude of investors arrives on the scene, the readjustment has been completed, and the opportunity for profit has disappeared. In fact, the multitude of late-comers usually

overreacts and thereby creates new maladjustments which necessitate more readjustments.

Entrepreneurs do not depend on economists for reliable information about the future. They are skeptical about economists' advice and prognostication. But they are ever mindful of the need for reliable information on all relevant data. This is why they read the financial pages of newspapers and magazines, subscribe to advisory services, employ business economists, listen to the promises of government officials and watch their actions. Nothing must escape them. But all the data gathered cannot remove the uncertainty of the future.

More than 1,500 years ago Saint Augustine offered this explanation: "God will not suffer man to have a knowledge of things to come; for if he had prescience of his prosperity, he would be careless; and if understanding of his adversity, he would be despairing and senseless." 

Historical Analysis

IN RETROSPECT historical analysis tries to show us that the outcome could not have been different from what it really was. Of course, the effect is always the necessary resultant of the factors operating. But it is impossible to deduce with certainty . . . the future conduct of men, whether individuals or groups of individuals.

IDEAS ON



LIBERTY

Statist Bureaucracy in the Modern Economy

GARY NORTH

~ Where distinction and rank are achieved almost exclusively by becoming a salaried servant of the state, where to do one's assigned duty is regarded as more laudable than to choose one's own field of usefulness, where all pursuits that do not give a recognized place in the official hierarchy or a claim to a fixed income are regarded as inferior and even somewhat disreputable, it is too much to expect that many will long prefer freedom to security.

F. A. HAYEK¹

¹ *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), p. 132.

SOCIOLOGY as a separate academic pursuit had its origin in the nineteenth century, beginning with the studies of Alexis de Tocqueville on American life and ending at the turn of the century with the contributions of Max Weber. Robert A. Nisbet has referred to this period as the golden age of sociology, and his book, *The Sociological Tradition* (1966), indicates why this should be the case. The basic themes of modern sociology were explored with insight, rigor, and creativity by those who deserve to be called the founders of the science, and contemporary scholars have generally been satisfied to refine, quantify, and expand upon the original contributions. (What we have gained in methodology has been paid for with the loss of lucidity in too many cases.) The major themes were all surveyed: alienation, mass democracy, centralization of power, revolution, secrecy, the problem of value and law, bureaucracy.

It would be safe to say that Max Weber, the German sociologist who is most famous for his essays on the Protestant ethic and the spirit of capitalism (1904-05), was probably the greatest social scientist who has yet appeared. His studies of Protestantism were

only a subdivision in his larger investigation into the nature of religion and its relationship to the growth of modern, specialized bureaucracies. The process of *rationalization* became the focus of his voluminous studies. He saw the process in the modern West as irreversible. Men of the West have, since the sixteenth century, insisted on viewing the earth as something to be subdued through the application of rational technique — sophisticated mathematics, applied science, technology, systematic measurement. Increasingly, all spheres of human and animal existence are being brought under the operation of rational technique. The spiritual life of man is relegated to the confines of the “inner man,” impotent to alter the direction in which rationalization is leading.

Security vs. Freedom

Weber saw the implications of this process which gave man greater security from nature but less and less freedom of action. In 1918 he spoke these words to students at Munich University:

The fate of our times is characterized by rationalization and intellectualization and, above all, by the “disenchantment of the world.” Precisely the ultimate and most sublime values have retreated from public life either into the transcendental realm of mys-

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tic life or into the brotherliness of direct and personal human relations.²

Men flee to the old churches, or to intimate artistic expression, or into mysticism. Weber commends this, and he warns against the faith in scientific, academic solutions to all problems. His pessimism is almost overwhelming: "Not summer's bloom lies ahead of us, but rather a polar night of icy darkness and hardness, no matter which group may triumph now."³

Bureaucratization is upon us, Weber believed, and there is no longer any way to escape its effects. Rationalization gives us our material wealth, but it robs us of our traditional values and institutional arrangements. In this regard, Nisbet's comment on Weber's view of Marx is revealing:

For Marx, capitalism was characterized by the privateness of ownership of property and the separation of the population into the two groups of owners and workers. For Weber, these elements are more nearly accident than essence. Moreover, and here is where Weber differed profoundly and lastingly from the Marxists, socialism, far from being the opposite

of capitalism, would be only an intensification and widening of the essential properties of capitalism. Under socialism, rationalization, bureaucracy, and mechanization would become even more dominant in human lives than they are under capitalism.⁴

We shall see later in this essay that Weber's analysis was marred by a fusion of two very different types of bureaucracy, thus leading him to conclude that the capitalistic bureaucracy is only a less intensive form of the socialistic form. But his point against Marx is a vital one: the mere application of proletarian revolution to the process of rationalization will do nothing to make that process more personalistic.⁵ The centralization of power involved in all socialist planning will only make things less flexible.

Profit and Risk

Frank H. Knight's classic study, *Risk, Uncertainty, and Profit* (1921), presents the most useful explanation of profit that any economist has yet produced. He has been followed in his exposition by Professor Mises. Only if we can conceive of a world in which all planning, acting men are

² Max Weber, "Science as a Vocation," in H. H. Gerth and C. Wright Mills (eds.), *From Max Weber: Essays in Sociology* (New York: Oxford University Press, 1946), p. 155.

³ Weber, "Politics as a Vocation," (1918), *ibid.*, p. 128.

⁴ Robert A. Nisbet, *The Sociological Tradition* (New York: Basic Books, 1966), p. 145.

⁵ Cf. Gary North, *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968), pp. 111-17.

omniscient can we imagine a world without profits and losses. Profit in such a world would equal loss — at zero. (Mises says that this world would still require an interest rate, while Knight denies it, but that is an extraneous issue for the purposes of this essay.) Profit, in this perspective, is a *residual* accruing to those individuals or organizations that successfully forecast the state of a market at some future point in time. The successful forecaster-planner is rewarded, since it is he who bears the risks of planning. The bearing of risk in planning is what economists call the *entrepreneurial function*. The term “manager” is generally used to specify the administrator of the plans handed down by the entrepreneur. In practice, the two roles may be intermingled, but for theoretical purposes it is useful to separate them.

Thus, as scientific planning techniques become more accurate, there should be a reduction of the realm of uncertainty. Forecasting techniques become more rigorous, and the very presence of a free market reduces the arbitrary elements in the economy. The scale of both profit and loss is narrowed; the reduction is proportionate to the reduction of uncertainty. Profits and losses will always be with us, simply because

men are neither omniscient nor omnipotent; if they were, socialist planning techniques would be just as efficient as the free market is. That fact is the best argument against socialist planning.⁶ Profit and loss are tied in with the operation of a free market which keeps fallible human beings laboring to overcome their deficiencies. No other system works so well.

Two Types of Bureaucracy

If the foregoing is accurate, why should we find so much inefficiency, so little competition among large firms, such utter bureaucratic incompetence, computer errors, and other signs that our economy is rewarding the less capable members? Why should economic irrationality be doing so well against the efforts of entrepreneurs to conquer it?

The existence of monopoly is one reason. Monopoly is a phenomenon which most governments not only tolerate but actively sponsor. Some of them we generally accept as part of the price paid for progress; an example would be the monopoly returns insured to developers by government-guaranteed patent rights. Copyright laws are another case in question. But the more absurd examples are the

⁶ F. A. Hayek (ed.), *Collectivist Economic Planning* (London: Routledge and Kegan Paul, 1935); North, *Marx's Religion*, Appendix A.

monopolies and oligopolies created by tariffs, such as an "infant industry" like the steel industry which wants protection from foreign competition. Tariffs invariably reward the inefficient producers at the expense of the efficient.⁷ Then we have the monopolies that are insured against new competitors entering the field by laws establishing "fair trade" procedures that ultimately favor those businesses already established. These have been popular with big business for a century.⁸

Ludwig von Mises has offered a theory of bureaucracy that provides us with another explanation of today's inefficient firms. His discussion complements Weber's and improves upon it. Mises argues in his little book, *Bureaucracy* (1944), that there are two primary models of bureaucracy: (1) the free market structure; and (2) the statist bureaucracy. Both are necessary, he says; both perform valuable, but very differ-

ent, functions. One form cannot be used to perform the tasks more suited for the other. It is an unwarranted mixing of the two categories, we can conclude, that has led to the creation of a weakened free market.

How Financed?

The key difference between the two models is the difference of finance. The question that we must always ask in assigning a task to either is this: how does it receive its operating funds? If this is not asked in advance, there will inevitably be created a system which will not be able to do its job efficiently.

The *free market bureaucracy* operates on an open market that permits the entrance of competitive structures. Whatever profits it makes or losses it sustains will be determined by its ability to satisfy consumer demand. Assuming that it stays within the framework of law established by the state, the only question that it *must* ask is whether or not its income exceeds its expenditures. The free market permits its bureaucratic structures to fail if they do not meet the needs of the buying public. Thus, the top level of any bureaucracy has a guide to the performance of the lower levels, especially with those levels connected with sales: are they pro-

⁷ Gary North, "Tariff War, Libertarian Style," *THE FREEMAN* (August, 1969).

⁸ Gabriel Kolko, *The Triumph of Conservatism* (New York: The Free Press, 1965); Walter Adams and Horace M. Gray, *Monopoly in America: The Government as Promoter* (New York: Macmillan, 1955); Robert M. Hurt, "Anti-trust and Competition," *New Individualist Review* (Winter, 1962); articles on the ICC, FCC, and CAB in *ibid.* (Spring, 1963); James Mofsky, "Blue Sky Laws," *Duke Law Review* (July, 1969).

ducing profits or losses? Any bureaucracy must be hierarchical; the important differentiating factor is the set of guidelines used by the top level to evaluate the performance of the lower levels.

The standard of measurement in this case delegates to the lower levels considerable *responsibility* and therefore a more extensive *flexibility*. The lower levels are expected to know the conditions of supply and demand — the particular markets — far better than bureaucrats at the top level can possibly know them. Thus there is an integration of knowledge: the top level assigns the general goals — products needed, aggregate *estimates* of expenditures and possible profits, the prospective operation of the company as a whole — while the lower levels try to fulfill their basic responsibility, namely, to turn a profit. If they do turn a profit, they are left alone by the upper levels; if they fail, they can inform the upper levels of any corrections needed at the top, or else they can be replaced. The free market bureaucracy, in short, possesses *greater flexibility* than the statist form because it is subject to the possibility of *failure*. Its income is therefore dependent upon its success or failure on the market.

The *statist bureaucracy* operates under a totally different system of

financing. Its expenses are met by the state. Therefore, the responsibility of the managers of this bureaucracy is to see to it that all the income received is spent only on those items budgeted in advance when the operating budget was originally drawn up and approved by the state. The statist bureaucracy has *fixed budgets* and is not subjected to the competition of an open market. Thus we find the top level of the hierarchy concerned with the disbursal of the appropriated funds: is the money going to the proper subordinate level; is it being spent as previously approved; is all the money accounted for on the proper forms? By the very nature of the structure, there can be very little flexibility permitted to the lower levels, and the upper levels must see that all goes according to the previously approved plan. The task of the upper level is supervisory, not in the sense of evaluating profit and loss, but supervisory in the sense of *control*. The premium is placed on *accurate reporting* of control data; the goal is *total predictability*. This is inherent in the very nature of the statist bureaucracy. It has to be, as Mises points out. The state wants to be certain that its appropriations are being spent as legislated.

There is nothing wrong with the statist bureaucracy as a type.

We must be certain, however, that it remains within those spheres of activity that require a bureaucratic structure that is totally predictable. This is precisely what Hayek calls for in his *Constitution of Liberty* (1960). The essence of a free legal structure is one which operates on all equally, and which is predictable by the citizens in advance. This is what permits competition on the free market: the rules of the game are known in advance. The place where you do not want arbitrary actions is in the administration of justice. Thus, the statist bureaucratic structure is not in opposition to this aspect of a society; we do not want to see justice decided by the sale of it to the highest bidder (as would be the case with a free market bureaucratic structure).

The danger comes when the statist bureaucracy is called upon to handle the tasks met most efficiently by the free market. When commodity production is involved, or services that are something other than the services of the legal framework and its enforcement, then there will be signs of breakdown in a statist bureaucracy.

Spillover Effects

What we have been witnessing in America for at least four decades is the gradual encroachment on the private sectors of the econ-

omy by the state. Naturally, the state must administer its operations through a bureaucratic structure. The only structure it can use is one described best by Mises' second model. The flexibility and competitive nature of the free market bureaucracies is being replaced by the less flexible, administration-oriented statist bureaucracy. Increasingly, the possibility of profit and loss is less a function of accurate economic forecasting than accurate *political* forecasting. Ayn Rand is correct: we are creating an "economy of pull." Political manipulation, especially in the large corporate structures, is the key to survival.

We live in a world of scarcity. Men are forced to compete for the things that are scarce. They may be captains of American industry competing on a free market; they may be Soviet commissars competing in terms of a socialist structure; but they will compete if they wish to maintain their control of scarce economic goods. The question that men must ask is this: what are the success indicators by which my performance will be evaluated? If the goal is oriented toward the political, they will compete in political ways; if the goal is production in terms of a voluntary market, then they will compete economically. The political goal will place a premium on

obedience to the state's stated goals rather than the (as yet) unstated demands of a future free market. Socialism, in other words, tends to create men who obey what has been handed down to them in the past; the free market is aimed at what entrepreneurs think will be demanded in the future. The first requires obedience rather than creativity. This is socialism's nature.

Here, it would seem, we find a likely explanation of the transformation of American industry. The statist bureaucracy demands that all subordinate branches conform to the stated goals of officialdom. It creates a demand for men who can *follow*. Mises makes a good point in his book, *Socialism*: the goal of the statist is to see the whole world inhabited only by officials.⁹ Innovative capacities are not utterly ignored, of course, but they tend to be de-emphasized if they come into conflict with other goals, such as the smooth operation of the bureaucratic structure. Clearly, any bureaucratic structure tends to favor smooth operations, but only a bureaucracy insulated from failure can afford to see this goal fully achieved.

With the advent of "cost-plus" financing — a development of war-

time, centralized planning — corporate structures have learned to live in terms of competition based on *stated* goals. In a sense, today's competition is increasingly the competition of the *engineer*: given a certain goal, how can it be produced most cheaply? Submit bids, win the contract, and then get every member of the "team" to keep his costs in line with the projected study (well, maybe not quite in line — a little extra expenditure never hurt anyone. Right?) This kind of competition is unlike the competition of the *entrepreneur*: what kind of product should we produce, given a future market that is not certain? This latter kind of competition involves risk, because it involves uncertainty. The more the state is the purchaser on the markets, the more this kind of risk-taking individual will find his world eroding. The demand will be for the engineer, the official, the manager, i.e., the man who can follow orders.

Case Studies

A friend of mine is an engineer, but one who appreciates the entrepreneur's function. He developed a certain kind of seal while he was working with a company dealing with such mechanical parts. The seal was more efficient than the competition's, but the competition had the market controlled. How to

⁹ Ludwig von Mises, *Socialism* (New Haven: Yale University Press, [1922] 1953), pp. 208-09.

get the information of the new seal to the competition's buyers? He estimated that if the top salesman with the other firm could be lured away, that man could get maximum distribution of the new seal in two years time, as compared with five if he were not hired, a saving of three years of marketing development. The man was known to be ready to change, since his own company was not going to let him climb much higher. He made \$18,000 a year; he offered to come over for a 10 per cent commission, with nothing owed to him in the first year unless he succeeded in selling \$200,000 worth of the parts. He was refused. Then he said he would work for a straight \$20,000 plus a small commission. He was refused. He was offered \$19,500. The reasoning: "No salesman working for this firm makes over \$15,000 per year, and no salesman could be worth \$20,000!" For the sake of \$1,000, the company lost a chance to save three years of marketing development. The \$500 a year became a symbol; the symbol meant more than sales. This is the mind of the statist bureaucrat. That mind is what is being produced today by our schools and our industries.

Another example is even more revealing. A certain Japanese firm was ready to "invade" America

with high quality technical products which met or exceeded the best American firm's parts at a cheaper price. The key to the success of the operation was again marketing. The parts were able to be purchased by almost any firm making machinery; there are so many of these firms that American producers believed it would take literally decades for the Japanese firm to get into the position of a threatening competitor. They sat on their hands, unconcerned. The Japanese firm decided to get the marketing devices — the salesmen — of the other firms. They did it with an occult phrase: "We pay double." Ah, those orientals: inscrutable! The American firms began to threaten the Japanese firm with lawsuits: unfair business practices was the cry. To no avail, as it turned out.

Hayek warned us 25 years ago that in a statist economy, the quest for security would become paranoiac. Men are trained, paid, and respond in terms of a system that demands conformity and supplies security.

It is no longer independence but security which gives rank and status, the certain right to a pension more than confidence in his making good which makes a young man eligible for marriage, while insecurity becomes the dreaded state of the pariah in which those who in their youth have

been refused admission to the haven of a salaried position remain for life.¹⁰

Education

The university has been a bureaucracy of the statist typology from the day that professors stopped being supported by the voluntary contributions of their students (which was normal in the twelfth century). With the advent of tenure, closely followed by state financing and Federal grants, the college professor has become a bureaucrat so safe that only the functionary of the larger tax-exempt foundations can claim to be more insulated from competition. This is equally true of the professor on the private campus, given the financial position of tax-exempt endowments. These men, as we might expect, train our youth in terms of the ideals which they themselves hold. American corporations are more and more involved in sales to the state, and therefore they begin to adopt the control characteristics of the statist bureaucracy. They need people to staff their posts. Thus we find the overwhelming number of graduates from our universities going into three main areas of employment: government service, college or public school teaching, and large corporations. That is what they

have been trained to do; that is what the state pays for and the large corporations want.

Karl Jaspers once described the university's faculty, but he described at the same time almost any bureaucratic structure that does not compete on an uncertain market. It tends to drift toward mediocrity. It avoids hiring incompetents, since that would reflect badly on the bureaucracy's ability to screen its candidates, thus encouraging outsiders to step in and take over hiring practices. On the other hand, it tries to avoid hiring the really competent, for these types will reveal the lack of competence on the part of their colleagues. In an *insulated* bureaucracy, the premium is on *mediocrity*.

Penalties for Creativity

What we find, as a result, is the degradation of education in our nation. Creativity is regarded as deviant behavior and a threat, both in professors and students. The structures are not geared to reward creativity. A minister I know is musically gifted. When enrolled in the M.A. program of one of America's most respected universities, he offered as his M.A. thesis an original chorale. As an M.A. in music, one would expect a man to be a creative musician and/or composer. The thesis was

¹⁰ Hayek, *Road to Serfdom*, p. 130.

rejected. He was told that it was all right as a piece of music, but he was expected to submit a work of scholarship, with footnotes and some sign of original research. Such is the curse of the modern university. Its ground of total insulation — academic freedom — is based on one false, but at present accepted, hypothesis: education can be neutral and therefore legitimately supported by coerced state taxes. It therefore avoids all signs of creativity, which in turn might reflect a concept of truth (and truth, we all know, is tainted with religious value); professors hide, desperately, in the safe cloak of academic *methodology*, the only truth they recognize.

The result has been the creation of swarms of graduates so beautifully described by a 1968 college yearbook:

Like ghetto children who drop out of school to get \$35 a week jobs, they are unable or unwilling to engage in plans for long-range accomplishment or amelioration because they have no philosophical referents, or ways of coping with, that sort of thing. Many, perhaps most, of them develop the defense of smugness, of pretending that they have accomplished something already with their diplomas and technical vocabularies. And for the others, if revolution and anarchy seem too often to be their choice, it is because in this century, revolution is

the most familiar way in which history manifests itself, or seems to.¹¹

The relativism of the classroom has done its work. It has created methodological drones, adept at sentences beginning with "on the one hand," and ending with "but on the other." The hackwork of methodology is all the schools can impart, with one exception: the student also learns that all truth other than today's prevailing methodology is relative. This relativism breeds nihilism in the consistent students: if all standards are equally true, they are all equally false, so destroy them and build something new. Thus the best students tend to become revolutionaries, at least for a time, and the others become drones. It is the death of culture. The university, which was originally intended to preserve and create, today is best equipped to destroy; that's what we pay for — and what we get.

The Solution

There can be a reversal of this destructive trend only with the re-establishment of conditions that permit private failure. If this is not done, then the failure will be collectivized, centralized, and compounded throughout our entire culture. The failure will be general, hierarchical, and total, just as our

¹¹ University of California, Riverside Tartan (1968), p. 145.

statist bureaucratic structures are. If failure is not seen as one of the basic human rights, then we shall witness an institutional "failure of nerve," just as the Greeks did. Gilbert Murray's *Five Stages of Greek Religion* will serve as our epitaph, as well. The unbridled quest for security will give rise to total insecurity. The warning Hayek has given to us regarding the fate of Germany and Italy in the 1930's should be heeded:

While the younger generation, out of that contempt for profitmaking fostered by socialist teaching, spurned independent positions which involved risk and flocked in ever increasing numbers into salaried positions which promised security, they demanded a place yielding them the income and power to which in their opinion their training entitled them. While they believed in an organized society, they expected a place in that society very different from that which society ruled by labor seemed to offer.¹²

When the bureaucrats revolt, who will be left to run the system? If all bureaucracies have been lured by the promise of security to imitate the structure of the controlled, statist bureaucracy, the seeds of institutional creativity will have long since been scattered to the wind. The whole world, indeed, will be inhabited by no one except officials.

Weber was wrong. The process of rationalization, in the way he described it, cannot go on. He saw the development of all bureaucracies into the overarching socialist type. If this happens, and if the free market's bureaucracy cannot be rediscovered and reinstituted as the foundation of our economic system, then the process will stop; it will be reversed in a cataclysm of failure. The process is not self-sustaining; rationalization can go on only so long as men seek to subdue the earth rather than each other. Convince the masses that the system is out to subdue them (rather than their neighbors), and a massive impulse will be created to destroy the system. Rationalization is simply a product of rational minds; remove the rationality and creative impulses from the system, substitute the drone who does not understand the rationalization process, and the process will stop. And that stoppage, given the degree of specialization and interdependence of today's economy, will be costly beyond our imaginations.

Failure, in short, is the inescapable concomitant of life. It is a basic human right. Remove the right to personal failure, and you dehumanize mankind; a dehumanized mankind cannot hope, as a collective entity, to do anything but fail. Hayek's point is well

¹² Hayek, *op. cit.*, p. 117.

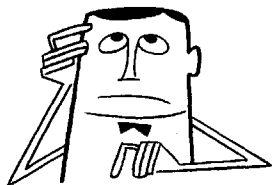
taken: "Thus, the more we try to provide full security by interfering with the market system, the greater the insecurity becomes; . . ." ¹³ It would seem that we are on the brink of total insecurity.

¹³ *Ibid.*, p. 130.

We must convince men that they are personally responsible for their actions, and with responsibility alone comes true human freedom. *The right to fail, like the right to succeed, is one of mankind's most fundamental rights.* (A)

Reflections on the Guilt Complex

LEONARD E. READ



ANYONE who has the slightest idea of how freedom works its wonders — thus having a faith in free men — cannot help but be appalled by the increasing number of affluent individuals who support welfare-state concepts and programs.

The cause often ascribed for this apostasy — this turning away from the free society by those it has raised to positions of affluence — is that the wealthy are victims of a guilt complex. They are ashamed to be more successful than their fellowmen! Personally, I believe this to be a fallacy; further, it is a mischievous explanation and we do injury to the

freedom philosophy by excusing these apostates in this manner.

A wealthy friend suggests a state minimum wage law so high that tourist accommodations in his area will no longer be financially feasible; he wants his beautiful countryside uncrowded and uncluttered. A statist position in order to have his little world to himself! This, for certain, is not a guilt complex.

Or, here's a suspicion of mine: Turning to welfare statism is purely a pose assumed by many affluent persons — often unwittingly — to shield themselves from a growing number of socialistic critics. They pose as welfare stat-

ists or profess to be in business for "the social good" rather than for profit; saying, in effect, to those who covet their affluence, "See, I'm on your side and doing all in my power to bring you to my level." This is far from a guilt complex.

Now and then there may be a business mogul or an inheritor of wealth who actually believes that "from each according to ability . . . to each according to need" leads to social felicity. But we cannot call the advocacy of this Marxian tenet a guilt complex.

There is little point in tracing causation further. The causes are far more numerous than the number of apostates, for each of them is led down the primrose path to socialism by more reasons than anyone else can fathom or than he himself is aware of. All of these countless defections are either immaturity or a lapse of judgment — thoughtless drifts — that are as common to those who "have it made" as to those who haven't. However, in no instance do we uncover a guilt complex.

Suppose that Success Were a Mark of Distinction

Suppose that affluence were a mark of distinction — that getting ahead of others, becoming rich through voluntary exchanges, or making big profits brought not

criticism but applause, acclaim, esteem from everyone. Were this the case, would the affluent among us be apologetic for their success, that is, would they have a guilty feeling? Indeed, they would not! Instead, they would be basking in their glory.

Or, look at it this way: If some person's guilty feelings bred an uncontrollable compassion for others — as the Bible puts it, "this man's possessions were weighing him down" — any individual so afflicted could sell his possessions and give to the poor. Until we see such voluntary charitable behavior on the part of an affluent person, let us hear no more about a guilt complex as an explanation for his apostasy!

Sell his possessions and give to the poor! What, really, are the wealthy doing when they side with welfare-state concepts and programs? The very opposite! They are advocating that *your* and *my* possessions be expropriated and given willy-nilly, more often than not with injury to the poor. This posture may, on occasion, gain approval or silence criticism but only because so few see the sham in it. If the naked truth were apparent to all, would an affluent person so unfavorably expose himself? Of course he would not! Only professional comedians try to make a laughing stock of themselves.

Affluence Gains Publicity

Why put so much emphasis on the apostasy of the affluent? Why not equally on the apostasy of those in the middle or lower brackets?

In all frankness, this apostasy — by the rich or by the poor — may be fairly and accurately diagnosed as an utter lack of understanding, a failure to grasp the most simple and basic economic relationships of cause and effect, of human action and its consequences.

This is not to suggest that persons of affluence are either more or less prone to these lapses into medieval or primitive ways than those on the lower rungs of the economic ladder. Understanding is not advanced or retarded by the rise or fall of bank balances; there is no correlation between the two.

But an affluent person — usually well known — packs more weight than a poor person. The views of a captain of industry or finance or whatever are much publicized, whereas the views of a person who hasn't "made it" yet may go unheard or unheeded, even by his family. The "higher-ups" make news, and to the extent that they defect from freedom prin-

ciples they infect more than their fair share of fellow Americans. This is why the apostasy of the affluent merits special attention — and disapproval, not acclaim.

Fortunately, each of us has it within his own power to immunize himself against economic sophisms and fallacies. We need not be misled in economic theories and practices by a spreader of nonsense, whether he be affluent or poor.

No genius is required to see clearly that an unhampered market economy best fulfills the peaceful wants and ambitions of everyone involved. Each best serves himself by serving others, producing his own specialty, trading for theirs. To be ashamed of success under such a creative arrangement, is to be sick of mind. The market does, in fact, handsomely reward those who best serve others, and the others ought to know and welcome the result, be glad and proud of it, for their very lives depend on this.

The alternative to which men turn in their failure to understand is a coercive tyranny that condemns mankind to slow starvation. This is not really a concern for the poor; it is not a guilt complex!



CLARENCE B. CARSON

A Law for Governments



ACCORDING to the lore of our time, business monopolies are highly dangerous — so dangerous in their threat to the commonweal that they must either be prevented or regulated and controlled. For many years, attention has been focused on the supposed untoward character of business activities and of how the innocent may fall victim to them. This emphasis has drawn men's eyes and attention away from both the source of harmful business monopoly and the noncommercial monopoly which poses the greatest threat of all to the peace and well-being of peoples. That is the monopoly which government has — *the monopoly of the use of force in a given jurisdiction*. All other monopolies pale before this one in the potentialities for destructiveness, and it

is this power alone which can give to business activities potentialities for continued and concerted damage.

Yet, government is not only a great potential danger but also a necessity. Unless somebody has a monopoly of the use of force in a given jurisdiction, there is likely to be more or less continuous warfare as groups contend for control. That there be a monopoly within a jurisdiction is necessary for peace, and government is also charged with keeping the peace — with preventing aggression from abroad, with putting down domestic insurrection, with inhibiting assault, deception, and with settling disputes which may arise. In short, government is not only potentially dangerous but also potentially highly beneficial. In any case, it is necessary.

The dangers of government are manifold: that it will be despotic,

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arbitrary, tyrannical, confiscatory, dictatorial, weak and ineffective, strong and overbearing, aggressive, destructive of life and property, playing favorites, and so on. Nor is there an abuse of which those who govern are capable that has not many times been practiced. Rulers have from time immemorial perpetrated aggressive war, deceived their own and other peoples, raped and ravished, stolen and confiscated, put the innocent to death, and allowed the guilty to run loose and wreak havoc. To say that governments have also dispensed justice and maintained the peace is equally true, but it should not mislead as to the inherent dangers of such an instrument.

The existence of government poses a grave and recurring danger. It poses a problem, too, which may be stated in various ways. How shall this force of government be contained and restrained? How shall those who govern — for after all, the danger that government poses arises from those who govern — be kept from acting arbitrarily and despotically? How shall those who make, administer, and interpret the laws themselves be brought under the law? This last is, in essence, the question as it should ever be posed. It should be clear that there is no easy answer to it, nor is it likely that the problem will be finally solved.

Government operates by the exercise of power. To do its job effectively, it must have a monopoly of the use of force in a jurisdiction. Yet such a monopoly makes it most difficult to bring government under the law. There must first be a law for governments. Then, devices must be found for inducing those who govern to abide by the law.

Natural Law and Constitutions

In modern (post Renaissance) Western civilization two intertwined devices have been employed to bring those who govern under the law — to establish a law for governments. The first — and most fundamental — of these is the natural law theory. The second is the device of having a written constitution.

These methods did not arise in a vacuum. Instead, there were compelling circumstances for coming up with some means of bringing rulers under the law. The major political trend in many European countries was toward absolute monarchy in the sixteenth and seventeenth centuries. This meant, in theory, that all power issued from the monarch and might be claimed by him. Also, it tended to mean that there was nobody to hold the monarch in check, or make him subject to the law. The inevitable result was rule

at the whim of the monarch — arbitrary and despotic government. Not everywhere and at all times was it equally the case, but it was certainly the dominant trend.

The natural law theory provided the foundation, in these circumstances, for bringing government under the rule of law, for delimiting the powers of the monarch most particularly. Here was a law above and beyond the power of monarchs to alter and to which they, like other men, were subject. Natural law theory was not, of course, new to the sixteenth and seventeenth centuries. It had been effectively formulated by the Roman Stoics, and following that formulation became a part of the heritage of Western civilization. It received new impetus not only from the need to find some means for circumscribing the powers of monarchs but also from Renaissance humanism and the scientific developments of the seventeenth century.

Some of the early spokesmen for natural law theory on the continent of Europe were Hugo Grotius (1583-1645), Samuel Pufendorf (1632-1694), and Jean Bodin (1530-1596); in England, Richard Hooker (1554-1600), James Harrington (1611-1677), and Algernon Sidney (1622-1683). From these, and others, it entered a general stream of thought to be es-

poused by such continental European, English, and American thinkers as Burlamaqui, Vattel, Beccarai, Locke, Blackstone, Montesquieu, John Wise, Jonathan Mayhew, and Thomas Jefferson, until it was the dominant mode of thought in the eighteenth century.

A Law Antecedent to Man

Basically, the modern natural law theory held that there is a law antecedent to man, society, and government, that this law is from God, that it is a law which must be observed if each of these is to reach its true form and fulfillment. It is discovered by attending to the nature of things, and when one attends rightly to the nature of things, he is using right reason. When man's nature and the nature of the universe are viewed in this fashion, it is found that man has certain natural rights: namely, the right to life, to the use of one's faculties, and to the fruits of one's labors. Society is natural to man — man is a social being — for within society he can make those exchanges which satisfy and complete him. In like manner, government is necessary for man, for it enables him to live in peace, to have fruitful relations with others, and keep what is his.

The great thrust of modern natural law thought was to limit

government to its proper sphere. One historian of natural law says, "Now the primary practical object pursued by the theorists of Natural Law was the delimitation of an area within which objective Right should be withdrawn from the caprice of the legislator, and subjective Right should escape the attacks of the State's authority. . . . It was thus with a new and unprecedented force that the theory of Natural Law was able to enter the domain of public law. . . ."¹

That the natural law set bounds to the actions of government was the import of what many of the theorists had to say. Hugo Grotius declared that "it is beyond controversy among all good men that if the persons in authority command anything contrary to Natural Law or the divine precepts, it is not to be done. . . . First, those rulers who are subject to the people . . . , if they transgress against the laws of the State, may not only be resisted, but put to death. . . ."² Burlamaqui maintained that "if the abuse of the legislative power proceeds to excess, and to the subversion of the fundamental princi-

ples of the laws of nature, and of the duties which it enjoins, it is certain that under such circumstances, the subjects are by the laws of God not only authorized, but even obliged to refuse obedience to all laws of this kind."³ John Locke particularized "the bounds which the trust that is put in them by the society, and the law of God and nature have set to the legislative power of every commonwealth, in all forms of government."⁴

Natural law theory would not, of itself, bring governments under the law. Natural law has presumably been in existence since the beginning of time. Nor have great thinkers from time to time been wanting in their understanding of its precepts. But as a theory, the natural law does not and has not prevented arbitrary and despotic government. The second step in bringing under the law those who govern was to specify the laws for those who rule in a particular state—to have a constitution.

The British Model

The British pointed the way to constitutional government. Indeed, the British had a long history of attempting to subject their government to the law. Most of this

¹ Otto Gierke, *Natural Law and the Theory of Society*, Ernest Barker, trans. (Boston: Beacon Press, 1957), p. 39.

² Wilson O. Clough, ed., *Intellectual Origins of American National Thought* (New York: Corinth Books, 1961), pp. 174-75.

³ *Ibid.*, p. 194.

⁴ *Ibid.*, p. 159.

effort was devoted to making the king rule by and observe the law. The question was usually phrased in this way: Is the king above the law? Sir John Fortescue, the leading legal mind of fifteenth century England, maintained that the king was not above the law. But Fortescue was not taking a novel position in English history, though he may have taken it more pointedly than had his predecessors. It had been made dramatically clear at least two centuries before that the king should not be considered above the law. The main thrust of the Magna Carta which King John signed in 1215 was his acknowledgment that he must observe the established legal procedures in his acts.

The matter came to a head once more in the seventeenth century, and more famous documents were added to the English constitution. The Stuart kings claimed absolute powers, and their subjects took action to restrain them. Charles I subscribed to the Petition of Right which spelled out new limitations on his power. The Bill of Rights, proclaimed in the latter part of the seventeenth century, settled the matter definitively. The king was brought decisively under the law.

It was never made so clear, by documents, however, that the other branches of government were un-

der the law. The great model of a constitution which set forth a thoroughgoing law for government is the United States Constitution, supplemented by the constitutions of the states. Here, for the first time effectively, a law for all branches of government was committed to paper. That the United States Constitution is a law for the government it authorizes must not be generally understood. Yet that is what it is. Every one of the original passages deals with the powers of government, with the authority of those who govern, or with how they shall be chosen, for how long they shall serve, what their qualifications shall be, and how the Constitution shall be ratified and amended. The Constitution is not a law for the citizenry, except in respect to how they shall be governed and what political procedures shall be followed. It is a fundamental law for government.

Limitations upon Government

This character of the Constitution may be clearly shown by quoting a few passages from it. Article I, section 1, reads: "All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives." The remainder of that portion deals with qualifi-

cations of legislators, the conduct of their business, and the extent of the legislative authority. Article II, section 1, reads: "The executive Power shall be vested in a President of the United States of America. He shall hold his Office during the Term of four Years, and, together with the Vice President, chosen for the same Term, be elected, as follows. . . ." There follows a description of the mode of election, the qualifications for the office, how the President may be replaced, and a listing of his powers and duties. Article III, section 1, begins: "The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish." This, too, is followed by an account of the authority and jurisdiction of the Federal courts.

Article IV as well as parts of Article I deal with prescriptions for and limitations on state governments. For example, Article IV, section 1, says: "Full Faith and Credit shall be given in each State to the public Acts, Records, and judicial Proceedings of every other State. And the Congress may by general Laws prescribe the Manner in which such Acts, Records and Proceedings shall be proved, and the Effect thereof." Article I, section 10, contains such

points as these: "No State shall enter into any Treaty . . . ; coin Money; emit Bills of Credit . . . ; pass any . . . Law impairing the Obligation of Contracts. . . ." Article V sets forth procedures for amendment.

Article VI proclaims all earlier debts of the United States valid, declares that all laws and treaties made under the authorization of the Constitution the supreme law of the land, and prescribes the oath binding upon all officers of the United States and of the several states. Article VII simply prescribes the method and how many states shall be necessary for ratification of the Constitution.

It is the fact that the Constitution is a law for governments that makes it so important that its provisions be rigorously observed. It is important, of course, that private individuals abide by the law. It is even more important that those who govern abide by the law, for when they act lawlessly they do so with the full force of government.

Separation of Powers

Drawing up a law for governments was one thing; getting it observed was something else. The answer to monopolistic abuses in private industry is competition. If a company does not serve well, or its products are exorbitantly

priced, in a free market others may enter the field and subject that company to the discipline of the marketplace. There is not so ready a solution to the problem posed by a government's monopoly of the use of force. Direct competition among governments is a thing to be avoided rather than sought, for direct competition in the use of force is warfare.

Yet, it is possible to use the competition principle in a modified form without inviting perpetual warfare. One way that this has been done is by the separation of powers within the government so that those who govern may check and restrain one another. The famous formulation of this doctrine was made by Montesquieu in *The Spirit of the Laws*. He reasoned in this fashion:

When the legislative and executive powers are united in the same person, or in the same body of magistrates, there can be no liberty; because apprehensions may arise lest the same monarch or senate should enact tyrannical laws, to execute them in a tyrannical manner.

Again, there is no liberty if the power of judging be not separated from the legislative and executive powers. Were it joined with the legislative, the life and liberty of the subject would be exposed to arbitrary control; for the judge would then be the legislator. Were it joined to the executive power, the judge might be-

have with all the violence of an oppressor.⁵

Looking at it in another way, the separation of powers principle may be seen as a means of inhibiting tyrannical power by bringing those who govern under the law. Whereas, if the powers are joined in a single body, there would be nobody to see that it observed the law.

American Federalism

The British government was thought by Montesquieu to embody the separation-of-powers principle in the eighteenth century. So it did, for the monarch was reduced mainly to the execution of the laws, Parliament enacted the laws, and there was a more or less independent judiciary. Americans accepted Montesquieu's formulation as an article of belief and separated the powers of government both in the United States Constitution and in those of the states.

Americans went further than this in retaining as much of the competitive principle as practicable in order to keep government under the law. They set up a federal system of government, one in which the powers of government were dispersed among the general and the state governments. Each of these governments was to have

⁵ *Ibid.*, p. 186.

a jurisdiction over the citizenry under it. This made it so that a grasp for power by those in one government would tend to endanger the powers of those in the other. They might be expected in their own interest to resist expansions of power and hence restrain each other.

Checks and Balances

An even more subtle form of competition is inherent in the republican form of government established in the United States. Those who govern derive their tenure from the consent of the people, either directly or indirectly. That government be under the law is a condition of the liberty of the people. That is, an increase in the powers of government will be at the expense of the people, or some portion of them. Hence, the electorate may be jealous of their own prerogatives and resist the extension of government power. At the least, they may turn out of power those politicians who have displeased them when they come up for election.

Under the influence of Britain and the United States other peoples turned with a will to the task of establishing a law for their governments in the nineteenth century. Constitutions were drawn up, elective legislatures set up or buttressed, powers balanced

and checked, and arbitrariness restrained. Limited governments provided for more liberty than most peoples had ever known. In many ways, this movement toward constitutional government reached its peak — and its virtual culmination — in the wake of World War I when the old autocratic governments were overturned, the territories of empires carved up into nation-states, and constitutions adopted which were supposed to provide extensive liberties for the inhabitants.

Twentieth Century Reformers Revert Toward Tyranny

But a counter tendency had already set in, one which would eventuate in new tyrannies, arbitrary governments, dictatorships, and oppression. The first peoples to fall under the new despotism were the Russians, with the establishment of the Soviet Union in the early 1920's. They were followed by the Italians, Germans, and many others in various degree. Behind much of this thrust was not only the age-old desire of those who govern to be unlimited in their exercise of power but also a rationale for the concentration and exercise of power. That rationale can be called, generically, socialism, though it is known also as communism, fascism, collectivism, syndicalism, and "liberal-

ism." The animating idea behind it is the determination to use government power to make over man and society according to an ideological vision of what they should be. The effort to accomplish this is made by massive applications of government power. This power is applied in order to attempt to manage and control the economy, redistribute the wealth of the land, provide favors for the indigent, empower certain groups, disable certain others, and bring the whole under the sway of government. In some lands, this has been done directly, brutally, and dictatorially. In others, such as the United States, the effort has been made much more subtly, with a minimum of the show of force, and in the framework of other forms of government. In all cases, however, the effort has been made by unloosing those who govern and restricting and restraining the general populace.

That tyrannies have made their appearance in some places in our century is well known. That some peoples have fallen under the yoke

of oppression is rather generally recognized. All too often, however, this has been attributed to certain evil men—as, for example, Adolf Hitler and Joseph Stalin—and not to the more basic development. When this latter character is recognized, it should be clear that the task is to bring governments under the law. It is, or should be, the pressing issue of our times. There has been much talk in recent years in the United States of the need to restore law and order. Undoubtedly, there is such a need. It is important that citizens obey the law that order may prevail. But if it is only the inhabitants who obey the law, their obedience will quite often simply aid the establishment of tyranny. Those who govern must also obey the law, the law for governments. All governments are subject to law—the natural law. Beyond that, they may have their particular constitutions which establish the laws for those who govern. Rigorous adherence to these is necessary for government to be limited so that the citizenry may be free. ☉

IDEAS ON

Limited Government



LIBERTY

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.

United States Constitution, Tenth Amendment

The inherent weakness of PRICE COLLUSION

D. T. ARMENTANO

THE FOLLOWING article is a brief explanation of some of the economic factors that appear to make price-fixing agreements between firms difficult to sustain, even in the absence of direct legal prohibition. The widely-held presumption among economists for some time has been that price conspiracies would be common in the American business system without antitrust legislation. The intent of the following discussion is to challenge such a presumption and suggest, instead, that there are diverse economic factors which would tend at all times to limit the success, and hence the significance, of price-fixing agreements in a free market. It is to be assumed that the firms under discussion here want to fix prices at more than competitive rates; what is being challenged is their collective ability to effectuate such a situation.

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Substitutes

The responsiveness of buyers to price changes is of crucial importance when considering the potential effectiveness of price-fixing agreements. If, for example, the commodity to be price-fixed has few good substitutes, an increase in its price may increase total revenues of the conspiracy and make price collusion financially rewarding, at least in the short run. But if, as more often is the case, there is a plentiful array of goods that might be substituted for the commodity that is being price-fixed, the higher fixed price may push marginal buyers to the cheaper substitutes, and thus lower total conspiracy revenues.

This consequence encourages firms to break the agreement to maintain a uniform price since the agreement does not, apparently, work in their interests. Certainly some firms will be *relatively* worse off with regards to substitute competition than others, and would be

the first to feel the pinch of a revenue squeeze, and the first to consider a policy of selective price reductions. Thus, the threat of substitute competition may make price conspiracy difficult to form in the first place or lead to competitive price reductions that break the conspiracy apart.

Changes in Demand

A slight, even temporary reduction in demand for the price-fixed commodity may break apart the price agreement; recession is the natural enemy of successful price collusion. A decrease in demand at fixed prices will curb sales, and the temptation to ease the decline with a price reduction will be strong, especially for any low-profit firm involved. Since all firms differ in financial strength, and in their willingness to "ride out" a demand decline, there must be such temptations and such producers. When the relatively weaker firms cut price in an attempt to increase or maintain sales, the formal price-fixing agreements tumble.

Output Agreements

Firms that agree to fix prices also agree to some marketing arrangement. Somehow, particular firms must be selected to "get" particular "jobs," or a particular percentage of industry output.

This part of the conspiracy is crucial since it must produce proper revenues to all firms involved else one or more of the conspirators will "chisel" price to steal orders. But these market-share arrangements are all but impossible to sustain for any extended period of time. Will the present market shares be maintained and for how long? What arrangements will exist for altering the status quo? Will a smaller firm attempt to cut the fixed price when it feels that its allotted share or territory is too restrictive, and no operational procedures for change exist? And what about *new* firms attracted to the market by the higher than competitive prices? By definition, they have no allotted outputs or selling instructions; will they be content to just take a slice of the existing action? But which of the existing sellers will give up sales to make room for the newcomer? The tendency of output restrictions is to frustrate all aggressive sellers and attract new producers, and thus to weaken and eventually break apart price-fixing agreements.

Costs

Assume a (manufacturing) firm A whose production and selling costs — on the average — decline as output increases. As almost every

businessman realizes, there are "economies" associated with larger outputs; "spreading the overhead" and purchasing supplies in larger quantities tend to lower average costs per unit of output, and make larger outputs cheaper to produce and sell than smaller outputs. The significant point for this discussion is that firms that *restrict* outputs as part of a price conspiracy invariably *raise* their average costs per unit. Hence, *profits* will decline unless the extra revenue associated with the conspiracy exceeds the extra costs associated with the output restriction.

This important factor must surely make firms hesitant to join such restrictive agreements. Smaller firms especially, will be anxious to increase — not decrease — output, in order to enjoy the economies associated with larger scale enterprise. To compete with larger, more efficient firms in the future may make this output expansion mandatory. In conclusion, price-fixing and output agreements are difficult to conclude when firms find it advantageous to increase, not decrease, their sales.

Imports

As long as international markets are free (and it is within our power to lower our duties and tariffs to zero on all goods), a domes-

tic price-fixing conspiracy appears limited by foreign competition. When foreign goods are price competitive, domestic price-fixing agreements are inherently unstable. A world-wide conspiracy is possible, but such arrangements have only existed and functioned successfully in the past with active *governmental* support.

Honesty and Trust

Of course, honesty and trust between the firms to a price conspiracy is absolutely crucial to its successful operation. If one of the conspirators thinks, or is lead to think, that anyone else is not living up to the price-output agreements (and they will have to *police* their own agreements), then price cutting is likely. And since it is hard to turn down old customers and their price requests, and difficult not to discount from book price when demand lags, and since all firms know this, the *suspicion* of price cutting will always be strong. Since firms don't trust each other in open competition, it is difficult to understand why they should suddenly trust each other in price conspiracy.

Buyer Power

As a final point, some assumption concerning the market power of the buyers is necessary to understand price collusion. The buy-

ers must, obviously, have a relatively weak bargaining position compared to that of the selling conspiracy. If buyers are large firms that can threaten to make the price-fixed item or import it, or can use reciprocal agreements to the detriment of the price conspirators, then successful price conspiracy certainly becomes more difficult. It is hard to imagine Sears, DuPont, American Can, or any of America's industrial giants being the victim of price conspiracy in *their* purchasing markets.

Summary and Conclusions

In summation, price-fixing agreements appear unstable or unworkable when substitute competition is important, demand is falling, large producers are not party to the conspiracy, production quotas are to be agreed upon, larger outputs are cheaper per unit than smaller outputs, imports are an important part of market competition, mutual distrust and suspicion abound, and where buyers are in a position to bargain. Any or all of these factors might

be enough to prevent successful price-fixing. Since almost all free markets, at one time or another, display these conditions, it appears reasonable to conclude that successful price collusion would be of negligible proportions, even without antitrust legislation.

Finally, it might be important to note that the record of many price-fixing cases prosecuted under our Sherman Antitrust Act has revealed a conspicuous lack of price-fixing success. With few exceptions, the prices have *not* been really fixed and have *not* been uniform for any substantial period of time; the evidence indicates that the agreements have broken down with almost monotonous regularity. Firms have been convicted for *having* a price-fixing agreement or "*tampering* with price structures" or *agreeing* to charge the same price, but rarely, if ever, for having accomplished successful price collusion. Thus, much of the factual and empirical evidence concerning price collusion appears to bear out the general correctness of the theories examined in this paper. 



Intervention leads to TOTAL CONTROL

GUSTAVO R. VELASCO

THE CENTRAL PROBLEM of our time is the economic organization of society. It is not necessary to adhere to historical materialism in order to recognize this or to realize, as well, that upon the manner in which society solves this problem depends the resolution of many others which today appear to be insoluble, such as the discovery of a way to overcome and transcend present nationalisms, the establishment of peaceful conditions in the world, and the utilization for constructive ends of the latest wonderful discoveries of science. Throughout the course of history we find various types of economic structures; however, humanity cannot, at a given moment, choose an economic system in the same

way as a man with unlimited time or money might pick one of the trips offered by a tourist agency. The only alternative that exists for a serious thinker today is that between a free economy and a controlled economy.¹

But is there no third road? Is it not intolerable to attempt to push us into one or the other pigeonhole, that of supporters of economic freedom or of believers in state control? The purpose of the present work is to submit this widely-held belief in a "middle way" to a critical examination.

The name of the third road is interventionism. Its practical im-

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¹ Syndicalism, with its variant, corporativism, cannot be taken seriously nor has either passed beyond mere words. Whoever believes that I reject them peremptorily may consult, among others, the confutation of the eminent German economist, Wilhelm Röpke, in his book, *The Social Crisis of Our Time*.

portance derives from the fact that in Mexico as in the United States and in those European countries where debate is still possible, there are many people who reject communism, sometimes even with horror because of its excesses and persecutions, but who at the same time, deluded by a persistent and insidious propaganda, are unwilling to declare themselves in favor of capitalism, which they believe to be the cause of poverty, or of crises, or of social injustice, or an order inferior from an ethical point of view. Whatever truth there may be in these strictures, and notwithstanding the fact that I believe each one of them to be the result of misinterpretation or of stark ignorance both of the facts and of economic theory, this is clearly not the occasion to expose and refute them. I would rather inquire into what lies behind such broad but vague labels as "capitalism" or "socialism" and examine and evaluate the essential characteristics of each system.

Characteristics of Capitalism

It will be found, for example, that capitalism is characterized by the existence of the following institutions:

1. freedom of enterprise, that is, freedom to engage in the work, activity, or business desired, to develop it and to reap the benefits

which may result therefrom, as well as to suffer the losses which it may produce;

2. private ownership, not only of consumer goods, but also of natural resources, capital, and productive goods;

3. competition;

4. a free market, with freedom of choice by the consumers, freedom to make any deal, and a price system.

On the other hand, what distinguishes socialism and communism is centralized control of the means of production in the hands of the state. The essential thing is that, ultimately, under socialism only one will decide. This demonstrates its ineradicably dictatorial character, the inanity of attempts to combine socialism with free competition and the price system, and the confusion of those people who imagine that a planned economy is compatible with liberty and democracy.² As a

² Socialism has attracted so many well-intentioned souls who sincerely abhor the fatal consequences which I point out, that my use of the two terms "socialism" and "communism" as interchangeable cannot help provoking an indignant protest. I admit that there exist differences between the two systems, the principal ones being (a) one of scope: socialism would nationalize only basic industries; for communism, in principle, there are no limits to nationalization; (b) another of method: socialism trusts to a gradual and peaceful process; communism believes in revolutionary and violent

result, every one of the institutions listed above will vanish under socialism, leaving us instead with bureaucrats and policemen behind each street corner, if not inside our very homes, as in George Orwell's novel, *1984*.

An Attempt to Clarify

Once the discussion is undertaken on this more concrete ground, it will gain in clarity and objectivity. When it is realized that planned economy implies that we may be directed to do any work, if necessary as forced labor; that we can be deprived of all right to property; that all of us will become public employees; and that we may even be forbidden to decide what we shall eat, I am sure that believers in this system will be much fewer and that there

action; (c) finally, socialism would like to proceed in accordance with accepted standards of morality and preserve freedom, especially civil and political freedom, and democracy; communism rejects traditional morality, and although it speaks, for tactical reasons, of "true liberty" and "popular democracy," it is fundamentally antiliberal and antidemocratic.

These differences are secondary and are not sufficient to obscure the main question, which is that of the location of control over economic life. Moreover, the last difference, the most important, is no more than a pious hope. The road followed by England, despite the extremely strong liberal tradition of its people and the fact that it has not passed beyond the initial stages of socialization proves this quite conclusively.

will be a large number of men resolved to defend the system of economic freedom which has lifted great parts of humanity out of the misery in which they lived until the eighteenth century. Even so, the complexity of modern life, the difficulty presented by economic problems — especially those provoked by a third of a century of mistaken policies (since the First World War and especially since the Great Depression) — the fact that not everyone can analyze them and apply or follow the reasoning of economic theory, and other circumstances to which I shall refer later, leave more than one opportunity for the appearance and espousal of interventionist theories. In fact, in the dispute between the two opposing systems of liberty and regimentation, it is interventionism that has gained ground.

Unlike capitalism and communism, which are well-defined forms of organization readily distinguishable from each other, interventionism does not constitute a third structure different from these two. Interventionism does not seek to destroy the fundamental institutions of a free economy or to displace it. Neither does it have as a declared purpose the establishment of centralized direction of the means of production. Its object is a combination, a solu-

tion intermediate between capitalism and communism, in which the disadvantages and abuses of the former would be eliminated without falling into the evils and pernicious consequences of the latter. For this purpose, liberty is restricted and all the resources of the state are put into play, with the threat or the ultimate application of that power which it alone can wield, that is, coercion and violence. Since interventionism and socialism are in agreement insofar as both criticize a free economy, what characterizes and identifies the former is the feature which I have just noted and from which it derives its name: the intervention by the state, the utilization of its apparatus and power in all cases where the functioning of the system of freedom produces a result different from that which the proponents of interventionism consider ethical or desirable.

What a noble purpose! What a neat solution! To preserve the advantages of individual initiative without falling into any of the dangers of collectivism. To couple the energies of society and the unity of the state, and in one single harmonious effort, to attain justice, social peace, and prosperity. It should not be surprising that this beautiful utopia has seduced generous and enlightened minds from the remotest times.

In fact, although there are some who present it as the latest novelty, interventionism is as old as history. In the first written legislative compilation which has been preserved, the Code of Hammurabi, we find laws which fix prices; and this form of intervention, together with innumerable others, persisted in Egypt, China, Greece, Rome, the Middle Ages, the Renaissance, the Mercantile Age, and the French Revolution, and emerges in our day with greater pretensions than ever.

The Market in Operation

A complete examination of interventionism, which does not claim to be a substitute for the market system but simply a corrective measure, should start with a study of the operation of the free market. In this way it would be possible to determine the accuracy of the two central arguments of the critics of the free market: the assertion, on the one hand, that even if the system of economic freedom does tend toward the optimum application of productive resources, and therefore toward the largest possible output, conditions never really correspond to the basic assumptions of laissez-faire theory, and so the latter is, to that extent, limited and deficient; and the emphasis, on the other hand, upon those results of

the free play of individual interests which are deemed undesirable. But let us grant those points to the opposing side, despite the fact that some are inaccurate and others are greatly exaggerated. In any case, the conclusion which rightly follows when one finds an imperfection in the working of the free market is the need of improving it and of achieving its efficient operation, not of disorganizing and destroying it. Since interventionism bases all its claims on its alleged ability to accomplish better results than a free economy, let us investigate how it operates in its turn and, more concretely, whether it can attain the aims which the governments and the persons who resort to it declare that they pursue.

In the economic field, these aims cannot but be greater abundance for the greatest possible number of the inhabitants of a country. In other words, the primary aim of interventionism is not different from that of capitalism or even of communism.³

³ In all systems, in addition to economic objectives, other ends are sought of a varied nature, moral humanitarian, nationalistic, and so forth. Nobody doubts that many can be attained by means of official action. But it is equally clear that from the economic viewpoint these measures represent an expenditure, not an income. Economic science neither approves nor disapproves of them. It confines itself to throwing light upon their true nature.

In case there is any doubt about this, it is sufficient to call attention to the name with which the partisans of the latest brand of interventionism have baptized their creation: they call it the "welfare state," that is, a political body which has as its objective the welfare of the masses. And the welfare which is promised is, in the first place, economic welfare.

Classes of Intervention

Although official intervention takes extremely varied forms, analysis permits us to classify them into three groups: (1) measures whose principal object is to divert the factors of production from the channels which they would have entered in a free market, toward others preferred by their authors: (2) measures whose object is to modify the data which are a result of the market; (3) measures whose object is to change the distribution of production and, in general, of wealth.

Intervention of the first class can be either direct (prohibition of certain industries, decrees to the effect that enough factories or firms exist in certain lines, production quotas) or indirect (protective tariffs, subsidies). In order to modify the indications of the market, recourse is had to price-fixing (only for the sake of brevity do I use this word, since

the figures selected as a result of the decision of an entity with compulsory force cannot be considered as prices, which, by definition, are the result of the interaction of individuals in the market). In practice we find both maximum prices (rents, consumer goods) and minimum prices (parity prices for certain agricultural products, salaries), and we observe that sometimes the government decrees them and imposes them directly, while on other occasions it permits this to be done by private groups (legalized monopolies, labor unions), to which it lends the support of its authority, or permits them the use of physical force and violence (strikes, shutdowns of plants and offices). In the three types of measures which I have mentioned, recourse is had to the fiscal powers of the government; nevertheless, it is in the case of the third group of measures that this kind of official activity (provision of free services, progressive income and inheritance taxes) is resorted to most frequently.

Restriction Invariably Diminishes Production of Goods and Services

Based on this outline of the most frequent forms of interference, let us examine the results to be expected from each one. As I pointed out above, its operation, its yield,

are the only criteria with which to judge the so-called third road in the economic field, for it is in precisely this respect that it presents itself as superior to the capitalist system which it criticizes. In other words, what interventionism has to prove is that it can increase production, raise the general standard of living, and consequently assure greater welfare to all the population.

The deflection of production into channels different from those which it would enter in an unhampered market is so obviously restrictive that it is no exaggeration to speak of restrictionism when designating the totality of measures which the state employs for this purpose. In every case it prohibits a certain kind of production (in the broadest sense of the word and including, therefore, commerce, personal services, banking and transportation), or certain procedures are forbidden, or are made more difficult or more expensive. It could be stated *a priori* that, given the tendency of the free market to the optimum use of the factors of production and to the maximum satisfaction of the most urgent human needs, these shackles can result only in a deterioration of the productive process and in impoverishment of the community. A detailed examination of any one of the restric-

tive devices will fully corroborate this.

Let us suppose a restriction of the number of factories dedicated to a certain branch of production or of the quantity of articles which they can manufacture. Let us suppose also that this restriction is complied with or is enforced. Naturally, the price of the product concerned will go up; the profits derived from the industry in question will increase. Those who participate in it, salaried workers, investors, entrepreneurs, will be better off from receiving their respective incomes more surely or even in greater proportion than before. It would seem, therefore, that the measure is beneficial in general and that it should be approved.

Gains Offset by Losses

Whoever believes this suffers from evident myopia. When the consumers find themselves obliged to pay more for the restricted item, they will automatically have less to spend for other articles. Consequently, what the interested parties in industry A gain, those who depend on industries B, C, and D will lose. No net advantage whatsoever exists for society. On the contrary, and since wealth is created through expending a certain quantity of the factors of production and since restriction of

that quantity cannot increase but only diminish the amount of goods produced, from the general viewpoint the result is a net loss, equal in amount to that of the production which was prevented. One group gained, but at the expense of the community. Taken as a whole, the latter is poorer and not richer. Interventionism not only did not attain its objective, but produced a result exactly opposite to the one it sought.

Even easier is the demonstration in the case of price fixing, a demonstration which has been given so many times that one feels reluctant to take up the reader's time with it. The function of prices is to achieve a balance between supply and demand. When the government immobilizes them at a level lower than the one determined by the market, demand increases, since buyers will feel more inclined to acquire goods and since there will also be a great increase in the number of those who could not do so at the previous price, but who find it possible at the fixed price. If instead, prices are set at levels higher than those established on the market, it will be the sellers who will flock to it, and supply will exceed demand. In either instance, the market fails to fulfill its functions; a new principle for the distribution of available goods becomes indispensable.

and queues, rationing, and the black market appear in the one case, and overproduction and chronic unemployment in the other. This is due to the fact that in addition to allocating the articles already produced, prices fill a mediate but even more important function, that of guiding and directing production.

Prices are signals, indications, to producers, of the fields in which there exists an unsatisfied demand and in which production should therefore be intensified; and of those others where supply cannot be wholly absorbed and in which future production should consequently be curtailed. Producers respond to these stimuli to the fullest extent possible in each set of circumstances, because of their desire to obtain profits and to avoid losses. And the result for society is the employment of the factors of production in those directions which will satisfy the most important and urgent needs of the consumers.⁴

⁴ Obviously, in accordance with the scale of values of the consumers themselves. To this it is objected that the market directs production toward the fields which bring highest profits and not toward those most necessary to society or which are "truly useful." The fault does not lie with the market system, but with the desires of men. What is needed, therefore, is to instruct and convince the latter so that they will not want things of scant "social utility" (such as chewing

Changing the Signals

Let us consider now what happens in a system in which the signals have ceased to function truthfully, that is to say, in which the government orders buyers and sellers to abide by certain amounts whose only likeness to prices lies in the fact that they are expressed in legal tender currency. If the official figure is lower than the market price, marginal producers — those whose costs are highest — will lose money and will be eliminated. The other producers will continue their activities but will not increase their investments; on the contrary, they will divert to other ends the nonspecific factors at their disposal and will even retire completely as soon as they can do so, in order to engage in the production of goods which offer greater profits. As a result, the supply of the controlled commodity, the more important since it is generally a staple of life, will diminish instead of increasing as the government desired.

Exactly the same thing will happen, except in the opposite direc-

gum or bullfights) or which are even harmful or immoral (such as alcoholic beverages or the services of cabaret girls and prostitutes). But whoever criticizes a free economy on this account and shields himself behind supposedly economic arguments in order to impose his personal preferences, reveals very little democratic spirit and a great deal of superiority and paternalism.

tion, in the case of minimum prices or salaries. When the authorities discover that not all the farmers who cultivate a certain crop can earn sufficient money to continue producing it, they set a parity price below which it may not descend. Now, the unsatisfactory former price was not capricious; there was a reason for it and this could only be an excess of supply or a lack of demand. The imposition of minimum prices perpetuates these conditions and prevents production from adjusting itself to consumption, by keeping marginal producers in business and by even attracting new producers who, if they had been confronted with a lower price, would have applied their resources to the production of different goods.

And so, with controlled prices, as with restrictive measures, the real result that is attained is exactly the opposite of the one sought by their proponents. The conditions that are created are not better, but worse, than those which existed prior to their establishment. Some groups may be benefited and enriched, but society as a whole loses and is impoverished.

Not Income, but Expense

I shall not attempt here to discuss the method of redistributing wealth represented by the infla-

tionary and credit expansion policies followed by most contemporary governments. As for the other measures aimed at achieving a distribution different from that determined by the capitalistic order — for example, by organizing gratuitous or semi-gratuitous services (low-cost housing programs, socialized medical services — it is so obvious that they entail an expenditure rather than an income that when attempts are made in their defense the arguments revolve exclusively around the justice of providing them. In other words, the proponents of these measures avoid justifying them in the economic field, in which interventionism boasts of its power to win the argument and in which it is the purpose of this document to examine them. If we do so, it will be easy to verify that, since the state cannot provide anybody with anything which it has not previously, and more or less surreptitiously, taken away from him or which it does not take away from other producers, the net effect of its absorption of all kinds of activities is to transfer from the interested parties to the administration the power to decide and to spend.

On the whole, this must have less efficient results and yield a smaller return for the community because to the less perfect satis-

faction (always from the point of view of the consumer) of the needs which one wants to fill must be added the disturbances originated by politics and the complications, mistakes and immoralities of bureaucracy. Above all, the social resources available for these purposes do not increase just because the heavy body of the state is interposed between them and their use, but rather diminish through having to bear the high and ever-increasing cost of the services so deceptively called free.

Saving Discouraged

In general and independently, therefore, of the use to which the government puts the funds which it collects, there is no doubt but that taxation beyond certain limits discourages the accumulation of capital, as in the United States, or even has the opposite result of encouraging the dissipation and consumption of existing capital, as in England. Matters are, of course, much worse in the case of expropriations and confiscations, especially when they are not isolated and extraordinary acts, since they can only be compared in their effects to those cataclysms which paralyze even the will to reconstruct and after which recovery is as slow as it is painful.

Again, the failure of the ambitious interventionist program is

confirmed; no country can make itself rich by taking away from some people in order to give to others and by terrorizing and demoralizing all of them. It is true that whoever cuts the cake — in this case, the state and, more concretely, professional politicians, their friends, and the groups which support them or which they favor — gets the best share; yet neither does the total distributed become greater nor is the general mass of the population benefited, but rather it becomes more impoverished by such distribution.

As a result of the foregoing, it can be stated with certainty that isolated interventionist measures do not produce wealth, but scarcity — not abundance, but poverty. This is not a value judgment; neither is it a case of condemning these measures because they limit freedom and lead to totalitarianism. In the field which belongs to economic science, that of showing us the consequence of our actions and of enabling us to behave consistently, it can be demonstrated that the results of state interventionism are contrary to the aims that it seeks and that from the point of view of those who want intervention — not from my point of view or in the opinion of the friends of capitalism — it ends in a situation which is worse than the one it set out to improve. In-

terventionist policies must, therefore, result in failure and frustration, or else go on, extending both horizontally and vertically until they end in complete economic control and in socialism of the Nazi type.

Mushrooming Intervention

This course must offer great temptation to those who have embarked upon interventionist adventures and represents one of the greatest threats of such a policy. Upon observing that the maximum price fixed for milk, for example, causes this product to disappear from the market, let us fix the prices of other activities and commodities, such as pasteurization, milk containers, transportation. If production has been diverted to butter and cheese, let us fix their prices and limit the amount which can be made of them. If this does not produce the desired result either, let us freeze the salaries of such persons as may be engaged in the milk industry or even of those connected with it, and go a step further and prevent the producers by force from abandoning this field. If the supply of milk grows less every day, let us follow the internal logic of interventionism and take the ultimate step: let us control everything, without exception. Then we shall have eliminated the mar-

ket completely, we shall find ourselves at the opposite extreme from where we started, and we shall have established a system which is indistinguishable from the communism which we began by repudiating.

There is no doubt, therefore, that interventionism constitutes an extremely efficacious instrument in the struggle begun some time ago for the purpose of destroying the liberal society in which, in spite of everything, we still live. In the first place, it lends invaluable support to those who are working to establish communism but who realize that they would meet very strong opposition if they openly advocate that form of economic organization. Perhaps even more serious is the fact that interventionism complicates and aggravates economic problems to such a degree that the majority of people, among them the majority of the classes which previously performed the most important of directive functions, that of supplying the ideas which guide society, are bewildered and perplexed and even come to believe that these problems admit of no perfect solution. But does not this situation cause surprise?

If, in the field of ideas, the failures of interventionism are indisputable, if not only the bankruptcy of this policy but also its

catastrophic effects and the danger which it presents are visible on all sides, especially in those countries which have carried it the furthest, why does it not pass forever into oblivion, ashamed of the confusion which it has wrought and of the countless ills which it has brought upon humanity? The explanation is complicated, but in my opinion it should be attempted because it will help to dissipate the mental fog which has descended upon a great number of our fellow men and left them irresolute and deprived of the will to respond to the challenge of our times.

Reasons for Confusion

Let me list briefly some of the reasons for this:

(a) Man is by temperament a compromiser, especially when confronted with matters which he does not understand and which he thinks do not affect him directly. The majority believes that the debate concerns only a mythical class, "the capitalist" or "the bankers," and the government. What is more natural than to think that each one must be partly right and that as between the freedom demanded by the former and the complete control which everyone instinctively fears, the solution must lie in the golden mean of interventionism?

(b) Both in economic matters and in general, without the aid of science our perception and interpretation of phenomena are rough and misleading. Scientific knowledge aims precisely at broadening our field of vision and our understanding and making them more accurate. But just as an ignorant person does not observe that the world is round, so also in economic matters he sees no further than the near and immediate effects of an act or a policy. The masses are incapable of understanding the secondary consequences which those acts or policies generate in time or space; nor will they follow the long and rather complicated reasoning necessary to explain them. Since interventionist measures seem at first to be successful and may benefit special groups, a man without economic knowledge needs no further proof to be convinced of their efficacy.

(c) In the economic process we all have a dual personality: on the one hand, we are producers; on the other, consumers. Although frequently and with a notorious lack of logic, government intervention is asked against consumers when prices decrease, and protests are made and official aid invoked against producers when prices increase, the predominant interest of the majority of people

is their interest as producers. This is more direct and specialized, since the interests that consumers have in common are diffuse and lend themselves but little to the organization of groups which would further them. And thus we see that in the democratic countries the voters cast their ballots in favor of their interests as producers and against the general welfare, which would usually coincide with their interest as consumers.

Interventionism Is Unstable

Whether the explanations which I put forward are accepted or whether other causes are found for the regrettable blindness of our contemporaries in face of the disaster of interventionism, I repeat that this system has won ground since the First World War opened the door to it. Is it to be anticipated that it will continue, as it has up to now, to extend and intensify itself more all the time?

It is not to be believed. Interventionism has lived off the reserves accumulated under capitalism and thus has succeeded in hiding to some extent its excesses; but these reserves have already been dissipated in some countries, while in others, their exhaustion is only a question of time. Interventionism is essentially unstable as I believe I have demonstrated,

because it is not a real third system but a makeshift which fluctuates between the capitalism from which it starts and the communism which it does not wish to reach. Consequently, either humanity has a lucid moment and holds back at the edge of the abyss, or else it plunges into it and into the new dark age of which a terrifying prelude has been furnished us by Hitler's Germany and Stalin's Russia.

What cannot be doubted is the danger in which we live. Let us not forget that interventionism constitutes a seeming, but in fact self-defeating and suicidal solution which does not raise the standard of living but lowers it, which does not create wealth but consumes it. Its basic philosophy is mistaken and pernicious. Like the collectivism to which it believes it is raising an obstacle, it mistrusts the individual and his innate capabilities, and seeks salvation in an entity supposedly free from his limitations and weaknesses, which would be outside of society and superior to it. In practice, interventionism is nothing but statism. Moreover, by attributing to the state an omniscience and an omnipotence which nothing justifies — neither theoretical reasoning nor historical experience — interventionism professes a true idolatry of the state

and is even inferior in this aspect to communism, which at least in theory does not exalt the state and even speaks, deludedly, of its fading away.

In the same way, interventionism is inimical to individual liberty. It is not a question simply of the fact that its specific means of action are orders and prohibitions and that it necessarily implies a reduction of liberty and an increase in compulsion. The evil stems from a much deeper source, from the fact that contrarily to the naive thesis that it is possible to separate what is economic from what is not, liberty is indivisible. Since there exist no purely economic motivations which can be separated from the other objectives which we seek in life, any diminution in the sphere of economic liberty results in a loss of freedom in other fields. In other words, there is no economic sector of life inferior to others and clearly marked off from them, in which it would be possible for the state to project itself without resultant ill effects upon personal liberty. All intervention in the means implies an intervention in the ends. Automatically, the decision as to what objectives we must fulfill and as to the relative rank of the values which they tend to realize, is shifted to a great extent from the individual to the

state, until it is completely absorbed by the latter in communism, which for this reason, is inescapably totalitarian.

***The Greatest Danger:
The Statification of Life***

What can be surprising, after the foregoing, about the necessary results, observable everywhere, of statism and of the abandonment of liberty? The state grows and hypertrophies until it assumes the proportions of a Leviathan or a Behemoth. Instead of being a center of union and a representative of the general interest, it becomes a cause of conflict and an instrument of private appetites upon which each group brings pressure or which it is anxious to dominate in order to apply governmental compulsion and strength for its own benefit. Political institutions become deformed and corrupt, because, having been conceived for other purposes and in a different atmosphere, they prove inadequate in a state which is impatient of restrictions and hampered by law. Not only in public life and in the administration does immorality increase as a result of the power which the organs of the state acquire over economic matters, but the people as a whole become accustomed to the phenomena which accompany interventionism: smuggling, bribery,

black market, governmental favors; they cease to believe in self-reliance and lose their sense of responsibility, seeking prosperity at the expense of others and changing from citizens to subjects and from free men to wards of the government.

The problem of interventionism is not, as may be seen, purely economic, but much more general. Although its political and social repercussions are undeniably of the utmost importance, I continue to

believe that it is only after subjecting it to economic analysis that one can pass a decisive judgment on it. And I would conclude, with Ortega y Gasset: "This is the greatest danger which threatens civilization today: the statification of life, state interventionism, the absorption of all social spontaneity which, in the final instance, sustains, nurtures, and impels human destinies."⁵

⁵ *The Revolt of the Masses*. Complete Works (in Spanish). Book IV, page 225.



A Futile Life

LIFE IS INFINITELY less important than freedom. A free man has a value to himself and perhaps to his time; a ward of the state is useless to himself—useful only as so many foot-pounds of energy serving those who manage to set themselves above him. A people which has lost its freedom might better be dead, for it has no importance in the scheme of things except as an evil power behind a dictator. In our hearts we all despise the man who wishes the state to take care of him, who would not rather live meagerly as he pleases than suffer a fat and regimented existence. Those who are not willing to sacrifice their lives for their liberty have never been worth saving.

MAXWELL ANDERSON, *The Guaranteed Life*

IDEAS ON



LIBERTY

THE FLIGHT FROM REALITY

THE TROUBLE with the modern collectivistic liberal is that he has forgotten to study the nature of man. This is the sum and substance, in capsule, of Clarence B. Carson's 548-page book, *The Flight from Reality* (Foundation for Economic Education, \$5.00 cloth; \$2.50 paperback).

Since the origins of our deep-seated malaise can be put in a sentence, one might suppose that Dr. Carson, who teaches American history at Grove City College in Pennsylvania, could have covered his subject in fewer pages. Alas, the "flight from reality" has affected so many millions of people and taken such incredibly protean forms that Dr. Carson has barely scratched the surface. He has had to deal with religion, philosophy, law, literature, journalism, history, economics, psychology — you name it and it's here. It is obvious that each line of investigation could have produced a whole book

in itself, so, actually, Dr. Carson has been most succinct.

Sticking to Dr. Carson's fundamental message, variants of it are spotted in epigrammatic form throughout his long text. "Men," he says at one point, "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. . . ." At another point he condemns our thinkers and artists for ignoring "the principles of human action, the essentials of artistic or economic production, human nature, and the conditions of liberty." In another passage he chastises our "reformers" for imagining they are "gods or demigods who could create a reality out of their dreams of it. It turns out that they were only men. It is small wonder that those who feel

deepest should turn upon man, then, and describe him as so contemptible."

Philosophical Relativism

The first "reality" to be deserted in point of time was "the Western tradition of philosophy" which ever since Plato and Aristotle had accepted the "central insight" that "there is an enduring, even an eternal, reality." Commenting on our abandonment of our Western heritage, Dr. Carson observes that if we do not believe that enduring principles can be discovered, there is little need for education. Any man's guess is as good as the next man's. The lesson of history is that history has no lessons. Good and bad become hopelessly relative; a society can make anything good by simple majority vote.

Dr. Carson traces the shambles that "relativity" has made of all of our so-called disciplines with a keen eye for the ridiculous. If there is no enduring truth, how can there be any science? Why should we have a Constitution? Why not legislate utopia tomorrow? Why bother with the subject of economics, which "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"? "Melioristic economics"

assumes plenty, not scarcity—and where there is "plenty" to be grabbed, the politician who seizes it for redistribution must, for the short run at least, seem very much like a "god or demigod." The trouble is that the "short run" considerations presuppose that a nation can live by consuming its capital, and this brings us back to "reality" with a thud.

War on the Poor

The reformer's "flight from reality" in economics is part and parcel of the "war on the poor" that has been covered by Dr. Carson in another notable book as well as in chapters of the present work. People are hungry, so the reformer begins by legislating crop restrictions. There is unemployment, so we have minimum wage laws that keep you from hiring household help at a rate that you can afford to pay. Goods on the merchants' shelves come at high prices, so why not have price supports and make the goods unavailable to those who cannot afford them? If you lack purchasing power, let the government inflate the currency. This will increase the supply of money, not the supply of goods, so you'll not get anything more for having had the worth of your dollar cut by 30 per cent in ten years. It's all as crazy as Dr. Carson describes it. But the

THE FLIGHT FROM REALITY

By CLARENCE B. CARSON

568 pages

\$5.00 cloth, \$2.50 paper

(Quantity discounts available)

The book is somewhat updated from the series carried earlier in *The Freeman*. These are samplings of reader responses:

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~ "Your *Flight from Reality* series has been so penetrating, so irresistibly logical and so trenchant that I do hate to see it come to an end."

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Square Deal, the New Deal, the Fair Deal, the New Frontier, and the Great Society were all dedicated to the idea that government intervention in behalf of augmenting craziness would raise everybody's standard of living. If we hadn't been blessed with technologists who could find ways of cutting the cost of making and distributing goods in spite of crop restrictions, minimum wage laws, and inflation, we would have been dead of "meliorism" long ago.

One of Dr. Carson's best chapters is the one called "The Flight from the Constitution." The Constitution protects "speech, the press, and religion" absolutely. But "life, liberty, and property" can be taken away by "due process of law." There are two methods of taking property that are sanctioned by the Constitution: by taxation and by exercising the right of eminent domain. The taxing power is limited by the requirement that taxes be levied for "the common defense and general welfare, and that some of them be uniform throughout the United States." As for "eminent domain," it can only be exercised when "just compensation is paid" for something taken for "public use."

Departures from the Constitution

All of this is, or should be, very clear. But Dr. Carson notices that

the power to regulate commerce is used to take property from people. The minimum wage law is confiscatory, a violation of the due process clause of the Constitution. The Sixteenth Amendment gives Congress the 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."

But this does not "authorize" a graduated income tax, which would seemingly be outlawed by the Constitutional guarantee of "equal protection of the laws." If spinster Vivien Kellems has a good Constitutional point when she argues that she is being denied "equal protection" when the Treasury taxes her at a higher rate than it taxes married women, why haven't we all a valid case against the government when it distinguishes between high bracket dollars and low bracket dollars? The millionaire doesn't get the same protection for his dollar of income that is accorded to less fortunate mortals. Nobody cares very much about the millionaires, but it happens to be their Constitution, too. And how about the nineteen-year-old who is drafted by the military and sent to fight in an undeclared war? His body is seized, and he is compelled to labor at a task which he has not freely chosen

This is "slavery" by any definition, and it happens despite the Thirteenth Amendment, which specifically prohibits "involuntary servitude, except for the commission of a crime."

Conflict Instigated

By assuming the right to seize property and redistribute it despite the Constitutional guarantees about "due process" and "equal protection of the laws," the government has turned the U.S. into a "class society." Men have been set against men, and groups against groups. As Dr. Carson says, a man may be 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, and an army veteran, but if he thinks of himself as "labor" he will not be acting as a "whole man." By "politicalizing" the struggle for income, society is not only cut apart, it is rendered impotent.

The Flight from Reality is such a wide-ranging book that reviewing it is like reviewing a whole literature. I feel that I have done it only the most cursory sort of justice. I wish I could find some way of persuading every college freshman to read it, and to throw its contents in the face of his professors in economics, law, litera-

ture, history, and philosophy for the four years of his undergraduate life.

► **THE HISTORICAL SETTING OF THE AUSTRIAN SCHOOL OF ECONOMICS** by Ludwig von Mises (New Rochelle, New York: Arlington House, 1969, 47 pp., \$1)

Reviewed by Tommy W. Rogers

THE IMPORTANCE of this book is not to be measured by its size. Von Mises ranges far beyond a chronological account of the development of important men and works in the Austrian School; he goes beyond an era history — though he provides this in revealing fashion — showing the organizational support, social influence, and status of German and Austrian universities and their interaction with the social structure. He touches on the study and uses of philosophy, epistemology, and history as they relate to liberty and its corollary requirements of openness to free enterprise and the free flow of ideas. We have here an enlightening venture into the sociology of knowledge, or the social context in which ideas develop and do or do not take root.

What was to become known as the Austrian School can be traced to the publication of Karl Menger's *Grundsätze der Volkswirt-*

schaftslehre in 1871. His two earliest followers were Eugen von Böhm-Bawerk and Friedrich von Wieser. They, and some younger men who had been taught by Wieser, contributed to the economic theory of marginal utility. The pejorative term "Austrian School" was applied only when their antagonism to the German historical school came into the open in the 1880's. Even in Austrian universities (for reasons which Mises explains) those whom the world styled the "Austrian economists" were somewhat reluctantly tolerated outcasts.

The hostility that the teachings of classical economic theory received on the continent was primarily caused by political predispositions. Political economy as developed by several generations of English thinkers (of whom Adam Smith, David Ricardo, Thomas R. Malthus, and J. S. Mill are representative) was the most exquisite outcome of the philosophy of the Enlightenment, containing the gist of the liberal doctrine that aimed at the establishment of representative government recognizing the equality of all individuals under law.

Most of the nineteenth century's progressive politicians who advocated representative government

were guided by the optimistic illusion of democratic infallibility founded on a double faith in the goodness of man and his rational mind. The arguments brought forward by the small group of liberals known as the Austrian economists did not imply any reference to an alleged infallibility of majorities. The rationale of representative government, Mises points out, is not that majorities are God-like and infallible. "It is the intent to bring about by peaceful methods the ultimately unavoidable adjustment of the political system and the men operating its steering mechanism to the ideology of the majority." These true liberals recognized that the only economic system which assures a steadily progressive improvement in man's welfare can work only in an atmosphere of "undisturbed peace." They advocated government by the people's elected representatives because they took it for granted that only this system will lastingly preserve peace in domestic and foreign affairs.

Today, however, the reaction of "statism and socialism is sapping the foundations of Western civilization and well-being." "But," Mises adds, "truth persists and works, even if nobody is left to utter it."

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Emblem of Freedom



GEORGE F. CAHILL

MAN, through all of the ages and civilizations, has devised various emblems and symbols of his beliefs, associations, and ideals. Such emblems have been countless and varied.

The most widely known and heralded emblem of freedom in the history of the world is the flag of the United States of America. It is a man-made thing, a man-made banner of red, white, and blue. Another man-made emblem of freedom is the 225-ton woman named "The Statue of Liberty" in New York Harbor. The poetess, Emma Lazarus, called it "Mother of Exiles."

There are few natural emblems of freedom. One pre-eminent example is the Eagle. In the earliest days of civilization his visual projection appeared on coins, emblems, carvings, and castings. He served to remind man of his noblest aspirations. It has been said that the Eagle is the emblem of freedom, the incentive of valor, the pledge of victory.

There is another natural emblem of freedom, unique, for it is a vegetable, called *Árvalányhaj*! It grows two to three feet tall, thin-stemmed, flexible but strong, and flaxen in color. It bows majes-

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tically in the wind, and glistens gloriously in the sun.

In the olden days when Hungary was a proud, creative, industrious nation of free men, all of the princes, potentates, musicians, soldiers, scouts, and athletes wore plumes of *Árvalányhaj* affixed to their hat bands. *Árvalányhaj* stood tall above the crown of their hats, shining in the sun, and waving in the wind. The proud Hungarians wore *Árvalányhaj* as a symbol of their national freedom.

This rare and beautiful grass grows only on the steppes of Hungary. Its meaning as a symbol relates to a legend famous and popular among Hungarian people since the founding of their nation.

A Promise Given

This legend has it that Arapid, the second of their princes and the mightiest of their hunters, rode alone one evening on the hunt. He went further into the deep woods and high hills than any of his tribesmen had ever ventured. As the sun was about to set and Arapid had decided to end his hunt, he heard a scream from over a nearby rise. He galloped in the direction of the scream, reached the rise, and looked into the glade below. There he saw a beautiful girl. Her long blonde hair was entangled in a thornbush. She could not escape. She was

about to be attacked by a ravenous wolf from across the glade. Arapid pulled an arrow from his quiver and fixed it in his bow. He drew long on the strong bow string. As the wolf mounted his last leap and lunged, the arrow sped straight and true. It pierced the skull of the wolf which fell dead at the feet of the girl.

Arapid rode his white steed to the girl's side and loosened her from the thornbush. He asked why she was in the woods. "I live in the woods alone," the little girl replied. "My parents are dead, my name is *Árvalány*" (orphan girl). The girl explained that she lived at peace with all of God's creatures except the wolf. She thanked Arapid for saving her life and said she would repay Arapid by using a special skill she possessed. She explained that before her parents died they had endowed her with the rare gift of being able to foretell the future. If Arapid would ask her a question, she would tell him the answer rightly no matter how far into the future the question related.

Because of the difficulties his people had encountered in crossing two continents and because of the tribulations they had overcome, the driving question in the mind of Arapid which he posed to the orphan girl was: "*Árvalány*, how long will my people live in the land

we have come to love?" Legend claims that *Árvalány* spun on her heels and her blonde hair flashed in the sun. She asked the Prince to seize and with his sword to cut off the locks of her long golden hair. After first protesting, the Prince finally followed *Árvalány's* command. She turned, took her own hair and tossed it into the air. A mighty gust of wind came off the highest mountain and seized the locks. Her hair was tossed and tumbled, and scattered wide over the plains of Hungary. Wherever it fell it took root and turned into a plummy grass. *Árvalány* turned to Arapid and said: "So long as *Árvalányhaj* (orphan girl's hair) grows here in the valley of Godollo, your people shall live in the land they love."

For many long decades the people of Hungary proudly wore *Árvalányhaj* on their hats as an EMBLEM OF FREEDOM.

Árvalányhaj still grows on the plains of Hungary and nowhere else on earth.

Sadly, the people of Hungary no longer wear *Árvalányhaj* as a salute to freedom for they have lost their freedom.

The beautiful legend, once known to every Hungarian, is now unfamiliar to many of the children of Hungary. For those who know the legend and hope to see *Árvalányhaj* again worn by freedom-loving Hungarians, it remains a reminder that man's most precious possession — Freedom — can be lost!



The Spirit of Liberty

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.

DEAS ON

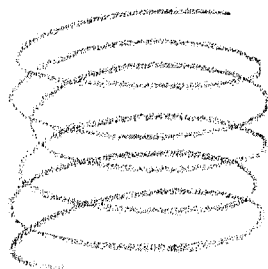


LIBERTY

INFLATION:

a tiger by the tail

HENRY HAZLITT



WHAT is the present outlook for inflation in the United States?

In trying to answer that question it is well to begin by reminding ourselves of how long we have been having inflation and how far it has already gone.

We started to depreciate our money officially, so to speak, in 1933, when we not only suspended gold payments but prohibited our citizens from owning gold. Then in 1934 we devalued the dollar in terms of gold by 41 per cent.

So far as the movement of prices is concerned, however, the most convenient benchmark to take is 1939. The average prices that consumers pay in the United States today are 167 per cent higher than in 1939. Putting this in another way, today's dollar has

only as much purchasing power as 37 cents had then.

Some people are trying to take comfort from the fact that the annual rate of price rise, on the official index, is still slightly less than 6 per cent a year. Is that worth worrying about?

I think it is. Let me quote an excerpt from a calculation made in its bulletin of August 26, 1966 by S. J. Rundt & Associates, leading consulting firm on international monetary affairs:

An American who starts to work at 18 and who must live with 5.5 per cent per annum inflation will see prices double before he is 31. And he will see prices doubled for the third time in his adult life ahead of his 57th birthday. And if a healthy constitution and modern medicine keep him going, he will see prices doubled for the fourth time prior to age 70. In other words when he reaches 70 he will have

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pay 16 times as much for whatever he buys as he did when he started out in gainful life. His greenback will have shriveled to 6¼ cents, or by 93.75 per cent.

If we carry this calculation on to the young man's 83rd birthday, prices will have doubled once more; he will have to pay 32 times as much for equivalent goods and services as he did when he took the first job; his dollar will have shrunk to a mere 3⅛ cents.

The only trouble with the foregoing calculation is that it is already outdated. Prices have recently been rising at an annual rate close to 6 per cent. At such a rate prices would double every 12 years instead of every 13.

How It Began

How did our present inflation get started? And how did we get to the point where we are? Our inflation came about, to put it briefly, because for 30 out of the last 38 years the Federal government has been spending more money than it has taken in in taxes, and has paid for the difference by printing irredeemable paper money. At the end of 1939, the nation's stock of money, as measured by currency in circulation and demand bank deposits, was \$36 billion. Today it is \$200 billion, almost a sixfold increase. Inflation is caused, always and

everywhere, by an increase in the stock of money and credit in excess of any increase in the supply of goods and services. The five- or sixfold increase in the supply of money in the last thirty years might have resulted in something like a five- or sixfold increase in prices if it had not been for a substantial increase also in the production of goods and services in that period. The official index of industrial production has increased more than fourfold in that period. This is the main reason why the increase in prices was not as great in that period as the increase in the stock of money.

In trying to forecast the probable future of inflation, it is important to keep in mind that this inflation is not something confined to the United States. In the same period, most countries have inflated even more. Though the American dollar at the end of 1968 bought only 83 per cent as much as it had ten years before, the German mark bought only 80 per cent as much, the Swiss franc only 76 per cent as much, the British pound only 74 per cent as much, the French franc only 69 per cent as much, the Japanese yen only 62 per cent as much, the Chilean escudo only 11 per cent as much, the Argentine peso only 7 per cent as much, and the Brazilian cruzeiro only 2 per cent as

much. The reader can imagine what this has meant in economic distortions and disruptions and in personal tragedies.

Government Policies

Let us come back to the point that inflation, always and everywhere, is caused by the policies of governments, not of private individuals. It is brought about directly by governmental monetary policies, and indirectly by government fiscal policies. Why do governments launch such policies?

Usually they do so by default, most often by getting into a war. The great chronic inflations of this century were triggered by World War I and then World War II. A government at war has to increase its spending suddenly and enormously; it usually lacks the courage to increase taxation correspondingly; in fact, it usually regards such a course as impossible. It usually also decides that it cannot even issue bonds to be paid for out of savings to finance the difference between its expenditures and its revenues. So in effect it finances its deficits by printing paper money. The inflation is then on. Prices soar.

But when the war is over, the country does not go back to its previous lower level of spending. One reason is that prices have soared; all government services

cost more. Another reason is that vested interests have already been established in favor of continuing and even increasing the wartime level of spending. Still another reason is that there is great fear however unjustified, that if the budget is now overbalanced by cutting back expenditures, and a surplus develops which is used to pay off accumulated national debt it will precipitate a deflation, with terrible consequences in bankruptcies, unemployment, and depression.

In brief, vested interests are created in a continuance of inflation. Theories grow up rationalizing and glorifying inflation. From the middle thirties to the middle sixties these theories were typically represented by Keynesianism.

The theories differ in detail, but broadly they run something like this: When there is depression or unemployment it is because people do not have enough "purchasing power," or do not spend enough even of the money they have because they think prices are going to go still lower. If the government runs a deficit and prints more money, this will increase demand for products and therefore increase employment. This will bring on "true inflation" if the additional money is not issued in too great amount; but even if it does increase prices, this will i

crease profit margins and so stimulate more production and more employment.

Now these theories combine multiple fallacies with some element of truth. When there is stagnation and unemployment, it is nearly always because there is some lack of coordination between prices, wages, and other costs. The appropriate remedy is to restore this coordination, usually by a lowering of certain key costs, such as wage rates, in relation to final prices. Under today's conditions, the resistance of powerful labor unions tends to make it "impossible" to lower wage rates. So the only apparent remedy is to increase prices.

Stimulative Effects in the Early Stages of Inflation

In its early stages inflation does precisely this, and so tends to restore demand, prices, and profit margins, and hence employment and production. This is the element of truth in the theories that inflation is necessary or desirable. It is this stimulative effect that makes inflation initially popular. But this is only the early effect of the first "dose" of inflation. When business activity is restored and full employment is restored, costs begin to catch up again, or even once more race ahead of final prices. The price of raw materials

rises. Unions demand higher wages — including both "cost of living" increases and "productivity" increases. Soon profit margins are reduced again or even wiped out in certain lines, and there is a demand for a second dose of inflation.

It is particularly instructive to study what happens to interest rates. Whenever business is slack, governments are under great pressure to keep interest rates down, to "encourage borrowing." There is apparently a simple way to do this. Interest is the money paid to borrow loanable funds. It seems to the government that the simple way to reduce interest rates (and hence, it is argued, to reduce costs of production) is to increase the supply of loanable funds by increasing the supply of credit and paper money. And for a while this may indeed reduce interest rates. But soon another consequence follows. As a result of the increased supply of money and credit, prices rise. Let us say that as a result of an increase in the stock of money by 5 per cent, prices rise about 5 per cent. Then businessmen will have to borrow 5 per cent more than they did before in order to do the same volume of business. Hence, the demand for money will increase 5 per cent, so catching up with the 5 per cent increase in the supply

of money; and as a result interest rates will tend to go higher again.

Pressure for More Money

Then there will be political pressure for a second dose of inflation, say another 5 per cent increase in the supply of loanable funds, to bring interest rates down again. This will have the result also of increasing prices of commodities and of increasing the demand for borrowed money, once more raising interest rates, and leading to pressure for a third dose of inflation to get them down again; and so on.

(To simplify the exposition, I have been assuming here that prices will increase roughly in proportion to increases in the money stock. Of course, in the earlier stages of an inflation this is unlikely to happen. Because of increasing annual production of goods and services, and for other reasons, the average of prices is likely to go up less than the stock of money is expanded. But for the moment we can ignore such qualifications.)

But there will now also be an additional effect. Suppose, as a result of an annual dose of inflation of about 5 per cent a year for the past few years, prices have been rising at a rate of 5 per cent a year. Then a lender, asked to lend

his money at an annual rate of 5 per cent, will say to himself: "Why should I? Even if the loan is safe and I get my principal back a year from now, it will probably be worth some 5 per cent less in purchasing power than it is worth now. Therefore, I am in effect being asked to lend my money at a zero rate of interest."

So on top of his regular interest the lender will want what is called a price premium to compensate him for rising prices. This is the reason why interest rates have now soared in this country to the highest levels since the Civil War. If prices have risen nearly 6 per cent in the last twelve months and are expected to rise as much in the next twelve months, and so on indefinitely, then even a lender who is getting 9 per cent on his money figures he is getting a real interest of only about 3 or 4 per cent net.

40 Per Cent Loss in Seven Years

Let me cite just one concrete illustration, from the December 1969, letter of the First National City Bank of New York, of the combined effect of rising interest rates and depreciating money supply: "The market value of the U. S. Treasury 4 $\frac{1}{4}$ s of 1992/87 issued only seven years ago at the highest rate permissible under the legal ceiling, has dropped since

then by about 30 per cent. After allowing for the loss of the purchasing power of the dollar, the real loss suffered by anyone who bought the bonds when they were issued is somewhat over 40 per cent."

What happens to interest rates is merely an illustration of what tends to happen throughout the economy. If commodity prices have been rising at an annual rate of nearly 6 per cent, and people expect them to continue to rise at that rate, then everybody tries to compensate; everybody tries to adjust his interest, rents, prices, and wages accordingly. Individual workers, and especially unions, if they expect a 6 per cent annual rise in consumer prices, will ask for a 6 per cent annual "cost of living" rise in wages to compensate. They will want this on top of any "productivity" or other increase to which they otherwise think themselves entitled. Thus, costs of production will rise as fast as prices, if not faster. Real profit margins will not increase. There will be no expectation of any real increase in profit margins. In brief, a constant rate of inflation will cease to have any stimulative effect on business — on buying, production, or employment.

This applies not only to an inflation of a "mere" 6 per cent a year. It applies just as much to

any constant rate of inflation whatever — 10 per cent, 50 per cent, 100 per cent a year.

Higher than Expected

We arrive, then, at the general principle that *any rate of inflation that is generally expected has no stimulative effect on the economy*, even if the expectation continues to be fulfilled. For an inflation to have a stimulative effect, it must be *unexpectedly* high; the rate must come as a surprise to the business community, so that it is not already discounted in current prices and costs. This is almost equivalent to saying that the rate of inflation, if it is to continue to have a stimulative effect, must be accelerative. But we finally arrive at the paradox that even an increasing rate of inflation will have no stimulative effect if the acceleration itself is generally expected; it must always be *greater* than what is generally expected, no matter how high expectations may be.

And if the rate of inflation is suddenly less than has been generally expected, the result is likely to be a crisis followed by a recession. This is true at any level of inflation. It will be true if the expected rate of inflation is "only" 5 per cent but proves to be zero.

It is important to understand just why this is so. The business

community (and in this term I include not only producers but consumers) is always operating on expectations. These expectations at any moment are built into existing prices. An obvious and outstanding example is the stock market. The existing price of any stock does not merely reflect its present yield or the company's present earnings per share; it reflects what the company is expected to earn and what the stock is expected to be worth in the future. The prices of all basic commodities on the speculative markets — wheat, cotton, copper, silver — reflect foreseeable or expected *future* conditions of supply and demand. The present price of land and houses reflects not only the existing inflation, but the expected *future rate* of inflation — what buyers and sellers expect the state of inflation to be a year, two years, twenty years from now. So if something happens to bring even a 5 per cent annual rate of inflation to a halt — or if it is expected very soon to come to a halt — buying will suddenly fall off, prices will drop, unemployment will rise, and we will find ourselves in a mild or severe crisis.

I must mention still an additional factor to be considered. All businessmen must constantly plan ahead. A typical retail haberdasher may need to plan only six months

ahead—for example, to order from the wholesaler in the spring the clothes he wants to stock in the fall. But a manufacturer may need to plan his output, both in kind and in quantity, a year or two years ahead. A builder or a manufacturer deciding whether to expand his plant may need to plan three to five years ahead. And so on.

All these investment plans call for a present outlay of money to be recouped, hopefully with a profit, at the completion of a certain period. Nearly all plans made during an already prolonged inflation are consciously or unconsciously based on the assumption of the continuance of this inflation. If this assumption is disappointed, there will be widespread losses, bankruptcies, and unfinished projects; and, of course, unemployment.

Attempts to Compensate

One further point must be made about the role of expectations. In the early stage of any long-term inflation (and this stage may persist for several years) the rise in prices does not keep pace with the increase in the money stock, because most people do not regard the rise in prices as permanent. In the middle stages of inflation people begin to assume first that the past price increases are per

manent and then that the past *rate* of price increase is likely to continue into the future. They therefore try to make compensating readjustments. But these widespread efforts to make protective readjustments (demanding higher wages, higher interest, higher rents, borrowing more, buying in advance, and so forth) tend in themselves to increase the rate of price increase still further.

This explains why it is an illusion to assume, as so many inflationists have done in the last decade or two, that some uniform "moderate" rate of price rise — 3, 4, or 5 per cent — can be kept going year by year indefinitely by some uniform corresponding increase in the money supply or other means. It is not merely that the expectation of such a price rise will lead speculators, investors, entrepreneurs, workers, lenders, borrowers, consumers, and so on to try to anticipate it, thus destroying any stimulative effect, but that these countervailing and cost-raising actions by private individuals and groups will put political pressure on the government and the monetary managers to increase the rate of inflation to prevent unemployment and depression.

As soon as it is recognized that the past rate of inflation has been accelerative, expectations arise

that they will continue to be accelerative. Still further compensating reactions by individuals take place. This is still another reason why it is so hard to stop a long-term inflation. Even if the monetary authorities halt the increase in the money supply, price advances will tend to go on for a while.

The Impact Is Uneven

I must confess at this point that, in order not to introduce too many complications at once, I have been indulging in a dangerous oversimplification. This is to talk in terms of aggregates and averages — an aggregate increase in the money supply, an average increase in prices of such-and-such per cent. Discussion in such terms can be grossly misleading if it involves the tacit assumption (as it sometimes does) that everybody is affected in the same proportion, or that all prices rise simultaneously and by a uniform percentage. One of the chief consequences of any inflation, on the contrary, is the wanton way in which it redistributes wealth and income.

The new credit or new money is always paid out first to certain specific groups, increasing their income; it is spent by them in turn to other specific groups, and these in turn deal with still other

groups, until the new money has percolated through the whole community. The groups to whom the money goes first are benefited most; those to whom it comes last are hurt most.

But the point at which the new money enters the economy also affects the balance and structure of production. In an analysis published in 1931, *Prices and Production*, F. A. Hayek pointed out that an increase in the money supply made available to entrepreneurs through increased bank credit would at first cause an increase in the demand of capital goods in relation to consumer goods, and hence would raise the prices of capital goods in relation to those of consumer goods. This would lead to an expansion of the capital goods industries in relation to the consumer goods industries. But the same annual rate of increase in the money supply would have to continue in order to maintain this new relationship. In fact, in order to bring about any further relative expansion of the capital goods industries the new money or credit would have to increase at a constantly increasing rate. And if the original monetary inflation were not annually continued at at least the initial rate, there would be a reversal in the price relationship of capital goods and consumer goods, bring-

ing on a relative forced shrinkage in the capital goods industries, leading to depression.

The Addict's Dilemma

So this is the dilemma that inflation finally brings us to. We have a tiger by the tail. If we try by inflation to keep the economy at a constant peak of full employment and expanding incomes we must constantly increase the pace of inflation, with a day of crack-up and collapse inevitable in any case; and meanwhile even a galloping inflation may be accompanied by bankruptcies and unemployment. If we stop or even substantially slow down the inflation, we are certain to disappoint expectations; we may face price declines, insolvencies, unemployment, and at least a mild crisis.

But this does not mean that we should continue inflating. We should stop the inflation as soon as we can, and face the possibility of an immediate but relatively mild crisis to prevent far greater evils later on. Inflation has been sometimes compared to a drug. The comparison is even more apt than is imagined by most of the people who make it. When a youth takes a drug that he doesn't need in the first place, he has to take larger and larger quantities of it to experience the same lift or "high" — with increasingly de-

moralizing consequences. But if he tries to halt, he may experience agonizing withdrawal symptoms.

The Outlook

What is the actual outlook today? This is in any case difficult to say, and any forecast might be outdated by the time this appears in print. Powerful forces are operating in both directions. The Federal Reserve Board, compared with the recent past, has been following a policy of severe monetary restraint. As a result, the stock of money in the country, consisting of demand deposits plus currency held by the public, increased from December to June at a 4 per cent annual rate, and from June to the end of October was practically unchanged. In comparison, money grew at an annual

7 per cent rate in the previous two years.

In addition to this record of monetary restraint, the unified Federal budget for the fiscal year 1970 has been planned to yield a surplus (though it may not be achieved) of as much as \$6 billion.

On the other hand, as soon as one result or accompaniment of monetary restraint was a slight increase in unemployment, the Nixon Administration came under sharp criticism. It remains to be seen whether the administration will be able or willing to hold to its course in restraining inflation.

Congress has been recently voting increases in expenditures and reductions in taxes. The political pressures for continuing inflation are still enormously greater than the pressures for stopping it. ☸

Astronomical Inflation

INFLATION may be troubling us Earthlings, but now it has taken on a deep space aspect. According to the National Research Bureau, back in 1891 a French widow allegedly left 100,000 francs (then worth \$20,000) to the first man to set foot on a heavenly body.

Astronaut Neil Armstrong is theoretically in a position to collect, but thanks to the inflation in France over the decades, that once-munificent sum now has a purchasing power equivalent to \$180.

Had an American widow made the same \$20,000 bequest it would have suffered quite a severe shrinkage, too. Today it would have a purchasing power equivalent to \$4,180.

RICHARD H. MILLER

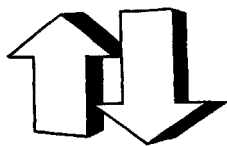
From the October 1969 issue of *Brevits*
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IDEAS ON



LIBERTY

INFLATION: *what it means*



WILLIAM B. BOYD

INFLATION is one of the most abused and misused words in the English language — a word that is on everyone's lips, yet a word which few bother to define. It has several meanings and most people — even professional economists — use them interchangeably, sometimes within the same paragraph. How can we possibly discuss and reason about a thing whose meaning has not been established? So our thinking is muddled, a Tower of Babel situation has developed, and in our confusion we are fumbling around trying to alleviate results, rather than trying to find and eliminate the cause. This is having a most injurious effect upon our society, undermining our economy, destroying our money, and threatening our liberty — a very serious situation.

Mr. Boyd, a businessman in Fairfield, Connecticut, also is interested in the Fairfield Country Day School where he recently presented these views on inflation to students of the 9th Grade.

So, it is my purpose to see what can be done to set us thinking straight about this matter, to bring some order out of the chaos. Specifically, I shall define inflation so that we'll know what we're talking about, show how it works and what it does, trace it back to its cause, and finally suggest a cure. This is a very ambitious undertaking — maybe too ambitious — but worth trying if it sets you thinking.

First, what is inflation? Its basic meaning is a swelling up, a blowing up, a puffing up, an increase, an expansion. In its economic sense the word is used with at least five different meanings:

- (1) Any increase at all in the supply of money (money in the broadest sense, which includes credit).
- (2) An increase in the supply of money (again in the broadest sense) that outruns

the increase in the supply of goods.

(3) An increase in the average level of prices — that is, any wide or general increase in prices.

(4) An increase in the prices of widely used goods — such as steel or lumber or oil or food-stuffs.

(5) Any boom or period of intense business activity or prosperity.

The best of the lot, because it is precise enough not to cause confusion and still simple enough to be widely understood, is number 2 — an increase in the supply of money that outruns the increase in the supply of goods.

Empowering the Federal Government to Cause Inflation

Now, using this definition, who or what organization can increase the supply of money? You know the answer: in our country the only organization allowed to manufacture money is the Federal government. Therefore, the Federal government is the only force that can cause inflation. If anyone else manufactures money, it is called counterfeiting. Counterfeiting in principle is the same as inflation; but counterfeiting is illegal, and cannot be done on as grand a scale as inflation.

The effects of inflation are very

bad. It causes a drop in the purchasing power of our money — which is another way of saying that it raises prices. But goods and services are not becoming more expensive; it is our money that is becoming cheaper.

Now this process of pumping more money into circulation does not cause prices to rise evenly or all at the same time; inflation never affects everybody equally and simultaneously. If it did, its effects would cancel out. Inflation begins with some particular group. Say the government puts more money into circulation by paying defense contractors or by increasing subsidies to farmers. The incomes of those who receive this money go up first. Those who begin to spend the money first buy at the old price levels. But their additional buying begins to force up prices. Those whose money incomes have not been raised are faced with paying higher prices than before, that is, the purchasing power of their incomes has been reduced. Eventually, through the play of economic forces, the money-incomes of most of them may be increased. But if these incomes are increased either less or later than the average prices of what they buy, they will never make up the loss they suffered from inflation. So a few people gain at the expense of all the rest

of us. The hardest hit are retired people and widows trying to live on the shrunken incomes from pensions, social security, or the interest on savings.

Furthermore, inflation reduces the value of ordinary savings, such as savings bank deposits, life insurance, and bonds. This reduces our incentive to save. "Spend now while your money will still buy something," becomes the mode. Thus, people are lured into extravagance and speculation.

Inflation deludes businessmen as to the amount of capital available and as to the demand for goods. The signals (prices) have been falsified and businessmen therefore miscalculate and make bad investments of scarce capital. These bad investments will later have to be liquidated. This is called a recession or a depression.

Inflation upsets the relationships of goods (prices) and services (wages) to one another, setting group against group, class against class. Those who have suffered loss resent those who profited from inflation. Even the moderate gainers envy the bigger gainers. People see that the new distribution of income and wealth that goes on during inflation is not the result of merit, effort, or productiveness, but of luck, speculation, or political favoritism.

In the end, if it is kept up, in-

flation destroys our money and creates financial chaos in which our liberty is lost—that is, it brings oppressive government controls of wages, prices, and the use of our property.

Deficit Spending and Monetizing the Debt

Well, you may ask, if the results of inflation are so bad, why does our government inflate? The men in government manufacture money to pay for the costs of their programs which run beyond what they dare collect from us in taxes. The terms for this operation are "deficit spending" and "monetizing the debt."

What are these programs that are costing so much money? Here are some of them: putting a man on the moon, developing a supersonic transport plane (which would probably be used mainly by the jet set), paying for surplus farm products to keep their prices up, subsidizing our merchant marine in order that the shipowners can afford to pay the high wages demanded by the maritime unions, rebuilding cities, paying for people to go to school and college, free medical care for the aged, slum clearance, relief, public housing, fighting so-called poverty, unemployment compensation, social security, foreign aid, and—most expensive of all—waging war.

Why doesn't government cut out or cut down on some of these programs? Each program is popular with some people, they now have a vested interest in it, and the politicians fear that if they cut programs they will lose votes.

So, the cause of government deficit spending and the consequent inflation is the pressure of various groups to get from government special favors and privileges for themselves (this is unintelligent selfishness) and the attempts of other groups to solve the problems of the poor and the unfortunate by using the force of government (this is false philanthropy). Unintelligent selfishness and false philanthropy are based on the theory that everything can be accomplished through the use of force by the state and this use of force is justified by claiming that it is done by democratically-elected politicians for a noble end — "the public good" — or "the greatest good for the greatest number."

The people in government want to stay in office. For this they need votes. So they want to be good guys and do everything for everybody. Since the end of World War II, they have been pursuing three goals which would seem to be mutually contradictory: (1) constantly rising wages, (2) full employment, and (3) stable prices.

Incompatible Objectives

It does not seem possible that all three of these could be achieved at the same time. If government tries to have constantly rising wages (regardless of productivity), full employment is impossible unless prices can be increased to cover the increased costs; but then more money must be pumped into the economy to enable consumers to pay the higher prices. So, in reality, we would be giving up the goal of stable prices and engaging in a continuous inflation.

On the other hand, the combination of constantly rising wages and stable prices would soon bring on unemployment, while the combination of stable prices and full employment would mean the end of the constant annual "rounds" of wage increases, regardless of productivity. But as matters are, union leaders would never stand for this. So government tries to achieve constantly rising wages and full employment by means of inflation and then tries to maintain stable prices by means of controls. This is like stepping on the accelerator and the brake pedal at the same time. And it always ends in disaster.

Yet, there is a cure for inflation and a way in which the three goals of rising wages, stable prices, and high employment could be achieved, provided these goals

are reasonably defined or interpreted. This way is through the restoration of a sound currency and a genuinely free economy. This means that our money must be tied to gold and that our government must be strictly limited to its proper functions of securing our lives, liberty, and property from violence and fraud and of administering justice in accordance with an objective code of laws.

The chain of cause and effect, in which inflation and its consequences are links, begins with the false ideas of statism: that all things are possible through the use of force by government. Since

ideas precede and determine actions, it is no use trying to change results far down the line without first entirely exploding the original ideas from which all the other ideas and actions stem. Therefore, the cure for the ills we have been discussing must begin with the refuting and discarding of the ideas of government interventionism and the replacing of these with an understanding and acceptance of the sound ideas of freedom — the free market, private property, limited government philosophy. This requires that we sharpen our minds and discipline our thinking. For man's only weapon in the fight against error and for the truth is reason.



Like an Oak Tree

IDEAS ON



LIBERTY

AS AN OAK gathers what it needs by means of its roots and branches, so must we gather what we need by means of our five senses — seeing, hearing, touching, smelling, and tasting. As we feed our bodies by means of physical food and drink, so must we feed our minds by means of knowledge and facts gathered by our senses.

Everything that we are, everything that we hear, everything that we smell, touch, or taste, makes us stronger or weaker mentally. By associating with people who are ambitious, industrious, loyal, and neighborly, we become ambitious, industrious, loyal, and neighborly.

As the dyer takes the color of the dye in which he works, so do we change and become like the persons with whom we associate.



THE INVISIBLE HAND

IN A RECENT U.S. History lecture, one of our professors made what seemed to be a scornful reference to Adam Smith's "invisible hand." His intention seemed to be to discredit a 420-page treatise on economics by quoting one metaphor! The context in which this oft-quoted metaphor appears in Smith's writing is his exposition of the theory that if each person pursues his own good, the good of society as a whole will result.

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 the 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....

He generally, indeed, neither intends to promote the public interest,

nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.¹

How does this good result? Why, through the law of supply and de-

¹ Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*. (Chicago: Encyclopaedia Britannica, Inc., 1952. Vol. 39, *Great Books of the Western World*), p. 194.

mand, another concept which many pedagogues would have us believe is "outmoded." In a free economy, when demand for a product increases, the price goes up, capital is attracted by the prospect of profits, production is increased, the price eventually goes down again as supply fills demand. What Smith wanted to stress is that all this happens *automatically* without the need for central planning. Indeed, central planning only hampers the process.

Regulating Bodily Functions

Consider your own body, as an analogy. Every minute that you live, your chest is acting as a bellows to fill your body's demand for oxygen, your heart is pumping blood throughout your tissues to distribute oxygen and nutrients, your nervous system carries messages to muscles and glands without your conscious knowledge, biochemical mechanisms determine what substances are to be filtered out by your kidneys, and so forth. All of this goes on *automatically* so as to keep your system in a state of dynamic equilibrium. It is the result of natural processes.

Suppose *you* had to regulate your body's functions. Do you think you could remember how many times a minute to breathe while telling your heart how fast to beat? Would you know when to

tell your pyloric valve to open? Could you decide how much corticotrophic hormone the anterior lobe of your pituitary ought to secrete at any given time? No, admittedly you could not. Your body is too complex, and as it is, you can hardly get your automobile to the service station before the gas gauge registers empty or remember to get the oil changed on schedule.

And yet, there are many people who believe that a single brain or a collective brain sitting in the White House can regulate the economy of the United States, which is every bit as complex as the human body. Imagine trying to regulate satisfactorily the daily purchases of 200 million people and setting the wages of a labor force of 80 million people and determining the production of 11 million business units! If *you* had that job, how would you do it so that everyone got what he wanted and nobody was victimized?

Leave It Alone!

The only correct answer would be to do nothing, *leave it alone*, and let the natural processes of supply and demand do the job. Just as it sometimes happens that a patient's condition can be worsened by the chronic reliance on too many pills of too many varieties, so has our economy been

sickened by swallowing the pills of tariff, subsidy, price regulation, compulsory insurance programs, inflation, urban renewal, farm programs, rent controls, a plethora of taxes, and so forth, ad infinitum, ad nauseam. If we want our patient to recover, we are going to have to take his pills away from him, regardless of his neurotic dependence on them. Fortunately, as long as our patient is still alive, we know that his bodily processes are going on,

even though distorted by his unwise self-doctoring. Just so, to the extent that our economy is functioning, it is doing so on the basis of natural processes carried on by individuals working, trading, and seeking their own welfare, regardless of the distortions brought about by government intervention. The law of supply and demand has been violated many times, but to my knowledge, it has never been repealed!



No Plan

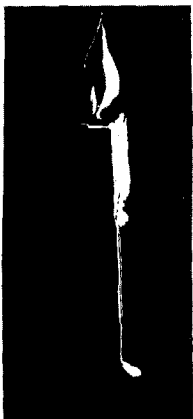
EVERYWHERE you look in American history, you find examples of things seeming to happen by accident — without intention. Americans had no over-all plan. They had something more important. They had personal freedom to plan their own affairs; and the avalanche of human energy resulting from that freedom swept from the Atlantic to the Pacific, from the Great Lakes to the Rio Grande.

IDEAS ON



LIBERTY

In 75 years, within a man's lifetime, France and Russia had vanished from the continent. England had been pushed back on the north; Spain had yielded the Floridas, New Mexico, Arizona, California, and Texas. The whole vast extent of the country had been covered by one nation, a tumultuous multitude of free men — men of heterogeneous races and creeds — living under the weakest government in all the world. The people who had been left to shift for themselves — who had learned the lessons of realism and learned them the hard way — were creating a new world and carrying forward the revolution which was beginning to shake the foundation of the Old World.



Brighten the Corner

*Two sermons delivered by the Reverend
WILLIAM L. EDELEN from the pulpit of
Plymouth Congregational Church in Wichita,
Kansas, October 19, 1969. Mr. Edelen serves
there as Director of Adult Education.*

Children's Sermon: ABOUT FEEDING BEARS

I'VE DONE lots of camping in Yellowstone and the Grand Tetons, and I want to tell you a true story about the bears in Yellowstone that a park ranger told to me.

He said that every year, after tourist season is over and the cold winds and snow come, bears die by the dozens by the side of the roads, and the rangers have to come and carry them off and bury them.

Do you know why they die?

They are still waiting for the handouts from the tourists — the cookies, the candy, the bread — but the tourists have gone, and no more handouts. And they sit and wait by the road for the food that is not to come, and they die there.

For they have forgotten something, through the generations of bears that have been doing this. They have forgotten how to prepare for winter, and how to dig for themselves, and how to go into the woods and eat what they have to eat and do what they must do to survive the winter. They have become so used to being fed from the road — with all the free handouts.

This can happen to people, can't it?

There are some things in life that can't be borrowed, that can't be given to us. No one can prepare your mind for you, or study for you. No one else can develop your talents for you, whatever your talents are. No one can do your praying for you, or develop your relationship with God for you. No one can do your daily work for you.

The most important things in life you must do for yourself — and dig, and prepare, and work.

And to sit idly by the side of the road and wait and wait and wait for your parents to give things to you, or your government, or your church — for someone to give to you things that can't be given — is to die, even as the Yellowstone bears!

Adult Sermon: BRIGHTEN THE CORNER

THE ILLUSTRATION from a recent magazine adequately sets our theme. The scene is the Board of Directors meeting room of a large corporation. At the head of the table the president of the company is on his feet. All the Board members are looking benignly in his direction. The president is pounding the desk, ranting and raving, and he says this:

We have to serve the public, and give the public what it wants, *even if we have to shame them into it.*

Even if we have to beat them over the head. Even if we have to embarrass them. Even if we have to humiliate them, shame them,

intimidate them. We're going to *serve* them, even if it kills them.

The history of mankind reeks with *this* kind of tyrannical service to mankind — coercion, tyranny — that goes under the prostituted name of service to mankind.

One hundred years ago there was a Russian landowner named Petrashevsky, who said this:

Finding nothing worthy of my attachment either among women or men, I have vowed myself to the service of mankind. In other words, not being able to find any man or woman worthy of my friendship, I will now serve all mankind as a whole.

You can imagine what kind of service this man gave.

Some of the worst tyrannies of our day are pledged to the service of mankind, and function by pitting neighbor against neighbor. The communist service to mankind is to foster revolution. Czechoslovakia is being served, no doubt. We're going to *serve* mankind even if we have to kill them in the service. We're going to *save* mankind. *Service* and *saving* often go together, you will notice, when you have doctrinaire despotism — or tyranny in the name of service. We have many groups that are going to save and serve mankind, even if it kills mankind. This is classed as "service to the lost," the *lost* always being those who view life differently from the one who is *saved*. The saved are always going to serve the lost.

The "Chosen" Ones

The worst tyrannies of history have been committed under this motivation. Practically every age of history has always known what is called "a chosen group." The pride in being chosen can very easily make the transition to tyranny to convince those not chosen that the chosen are chosen. We will show you we're chosen even if it kills you. The chosen always want to serve and save everyone else. There are always those

around who claim to be chosen: a chosen nation, a chosen race, a chosen religion, a chosen church, a chosen party, and on and on into the night.

The attitude that one is a member of a chosen group fosters much of man's inhumanity to man. Cromwell first said it: "I beg you, in the name of God, think that you may be mistaken." Our church fathers, John Calvin and Martin Luther, were not above serving and saving mankind through slicing off a few heads — literally, that is. As Jesus put it: "The hour will come, always, when whoever kills you will think he is serving God and man. They do this and only prove that they know neither God or man."

The hour will come when whoever kills you, with bodily murder, mental murder, spiritual murder, national murder, emotional murder, murder of dignity, will say he is doing it in the name of God.

Martin Luther was going to save and serve mankind even if he had to kill to do it. Luther was going to save people and serve mankind, and so he lashed out at the people with words of unmatched ferocity. Luther said this to aristocrats, and I quote him directly: "Let there be no half measures; cut their throats, transfix them, leave no stone unturned; to kill a rebel is to destroy a mad

dog." And then Luther told his aristocratic patrons: "A prince can enter heaven by shedding of blood more certainly than by means of prayer."

Marxism started out, too, as a movement to save the people, to serve the people. We have only to ask, "What is the real condition of the people being 'saved' and 'served' in those areas controlled by the Marxist movement?" The German philosopher, Nietzsche, feared that the people would turn history into a shallow swamp, and it has been said that Hitler was more influenced by Luther and Nietzsche than any other Germans until he, too, wanted to save and serve people by giving them a master race and killing all who stood in his way. In the book, *The Rise and Fall of the Third Reich*, William L. Schirer says that had Calvin and Luther had at their disposal the powers and instruments of coercion that Hitler possessed, they would have used them.

The Many Faces of Despotism

Despotism can come individually, nationally, racially, religiously, collectively. Despotism can come in all forms and all shapes and all sizes. There are various degrees of fanaticism and tyranny. Fanatics can always justify hatred and cruelty as *service* to God and man, regardless of the

perversity of the crime or offense. As our Biblical text says: "The hour will come when whoever kills you will think he is offering a service to God. They will do this because they have not known God."

Does it not seem amazing to you how many saviours and servants of the world hate people — how many who hate people are going to serve them by killing them — in order to make the ideal society? The ideal always, of course, their *ideal*. Their ideal being a perfect German society, white society, Gentile society, American, English, democrat, republican, socialistic, Lutheran, Church of Christ, Jehovah's Witnesses, Roman Catholic. And on and on and on into the night, where blood runs deep, having been released by those who want to serve and save mankind — who want to save the lost, the lost always being those who hold different views of life. In Belfast today the Roman Catholics are going to save the people, and the Protestants are going to save the people, even though they totally destroy each other in the process.

It is easy to get discouraged with the concept of service to man. We read of the population explosion forecast where people are going to run over the earth in the multibillions — just masses and masses of flesh. We lose perspective, we lose the concept of serv-

ice; we don't see people, we see numbers, just gross numbers.

I think of millions of years of evolution, of cultures, magnificent cultures, now buried in dust and debris. I read about Aldous Huxley's "brave new world" and cold society, with the machine society, with the mechanical man, the "Homo mechanicus." And I get discouraged and ask: "How, how in all this maze do you serve man?" I look around at wars and rumors of war, and I ask: "Where do we find meaning in our little three-score years and ten, and how can this concept of service mean anything when viewed over the long picture and against such a background of humanity in the mass?"

A Personal Experience

Well, there is a concept that means a great deal to me personally — my personal philosophy of service and activity — and I will say it as clearly as I can for whatever it may be worth to someone. I first started thinking about this when I was flying in Korea looking at the frozen and hungry children around me and wondering how "to brighten the corner" where I was, where I found myself. And in those off-hours when not flying, working in those orphanages right around me and with those children that I stum-

bled over daily, brightening the corner there was not really too difficult — one of the most meaningful experiences of my life.

The world of plant and animal life often progresses to a higher plane of existence through what is known as a mutation. You remember from your own biology lessons that a mutation is where an alteration or change in form or quality takes place in a plant or animal, either slight or abrupt. A mutation is where a little genetic change has taken place, which in turn, if propagated, can produce an entire new series or new species or new plant. Some of our most beautiful plants have come from mutation, and so, too, in animal life. The magnificent peppermint carnations that you get at the floral house come from a virus-inflicted mutation a number of years back. Many of our most beautiful tulips are the result of mutations. In other words, mutations play a vital part in the evolution, and often improvement, of our plant life.

It gives great meaning to me and for me to think that man evolves, that you and I go through changes and transformations and evolve and grow due to mutations that take place in every generation, the moral mutation being the life of a man or a woman who has cast some light into the dark-

ness, and beauty into the ugliness, and truth into the deceit. And when a human life does this, a mutation has taken place, life has been lifted, man has *morally* evolved a little higher, climbing one step further away from the mud of his conception toward the stars of his destiny.

Moral Mutations

The story of man's history is the story of mutations. A mutation took place when fire was discovered, when the wheel was born; similarly, mutations took place at the birth of writing, art, weaving and pottery, building and transport, back in the dim beginnings of agriculture, of worship, of education, of poetry, of philosophy, of commerce, of music. The history of mankind is a history of mutations, each good mutation has moved man one step higher up the ladder of moral and mental and cultural evolution. What I am saying is that each person whose life has been a mutation for good has served man in the highest manner in which man can be served.

Moral mutations take place in every village, in every state, in every nation, in every generation, through the lives of individuals — from the giant mutations of a Jesus Christ, a Gandhi, a Schweitzer, to the thousands of smaller mutations by those whose names are

not known fifty miles from home. In the long run, it is no doubt the moral mutations of those thousands whose names are not known that most lift man one step higher up the ladder of moral and ethical and cultural evolution.

What I am saying is that perhaps the greatest service we can give to our fellow man is to so grow ourselves — mentally, morally, ethically, spiritually — that we become a living mutation in our community, in our time, where we are, where we work, where we live, where we play, where we worship. By so becoming a mutation for good ourselves, we help to establish a climate wherein other men can grow into a slightly improved change of the species — man.

We Start with Ourselves

How do we become a mutative force? We start with ourselves. It is very difficult to serve and save the world until first you serve and save yourself. A man cannot possibly offer anything to mankind if he has nothing to offer, either mentally, emotionally, or spiritually. We start with ourselves; for what you are, the world is; what you are, the church is; what you are, the community is; you're *it*. We serve — we become a mutative force in society — by first developing ourselves,

our talents, our potential, our minds, by doing our work well, *where we are.*

Can you imagine what a remarkable transformation would take place tomorrow only if every person performed his daily work with excellence, with competency, with honor, with integrity, ethically? Can you imagine how others would benefit and be served from such a grace as one's work well done? Nothing starts anywhere if it does not start with you, on your block, in your home. *What you are, the community is!*

They asked Bernard Baruch on his 94th birthday—this friend and advisor to kings and presidents—they asked him this question: "Who do you consider the greatest man of this age?" And what a marvelous answer came back: "Who is the greatest man of this age? The man who is doing his own job well every day, the mother who gets up in the morning and cooks breakfast for her family."

The Distant Approach

Have you ever noticed how, with so many people, love, service, and concern always increase in direct proportion to the distance involved? It is so much easier to be showing concern for those in China than it is to show love and concern for those close to you. I

have seen people who became so concerned about serving others' problems that their entire family became delinquent. So what has been proven, what has been given to the world? Only that now there are two problems instead of one. As Dr. Charles Malik put it: "The most important thing in serving the needy is to make sure that you do not become needy yourself." And Paul Tillich asked: "How can we heal others if we can't heal ourselves and our own?" Do you realize that Jesus practically never went out of his way to help people? But he helped those in his path, as he went about his business, doing his own "thing." The phrase is used over and over and over in the gospels. They came to him, they sought him out, he healed those in his path.

Just look around you at those people whom God has already put in your path—without even changing your daily routine. Look at the human being whom you have been ignoring: the yardman, the man downtown at the parking lot, your business associates, the waiters, secretaries, bank teller, friends, all of the men and women that you stumble over daily in your rounds of activities. We stumble over the bodies of our family daily while looking outward and away trying to find someone else to love or to help.

We stumble over the bodies of those closest to us, in our daily paths, while trying to find someone to love in some world-wide evangelistic program.

Let us brighten the corner where we are, and what a fantastic transformation will take place in this world, and more especially in your world and my world. How do you brighten the corner? By living by what you know to be true. Sure, we all can cry, "Oh, there is so much that I don't understand, so much that is not clear." But let's live, daily, where we are, by what we do know to be true and good.

You know that beauty is better than ugliness, truth is better than deceit, love is better than hate, trust is better than suspicion, hope is better than despair, enlightenment and education is better than ignorance. There are so very many, many things that we do know to be true, and there is no doubt here; so let's live by that, and the mutative effects will be massive. Finally, you see, our own healing becomes a part of the healing of the world; and when enough individuals become healed *then the world is becoming healed*. And what more magnificent service could we offer to mankind than

to heal ourselves, so that our health might heal others.

This is my last word:

- In serving the needy, the most important thing is not to become needy yourself.

- In serving the sick, the most important thing is not to become sick yourself.

- In bringing light to darkness, the most important thing is not to become dark yourself.

- In imparting strength to weakness, the most important thing is not to become weak yourself.

- In leading, the most important thing is to make sure that you are not being led by powers of darkness.

- In passing on truth, the most important thing is to make sure that your sources of truth are never cut off.

- In witnessing to the grace and beauty and truth of God, the most important thing is to let Him through His spirit work through you.

This is service, that through your individual mutative influence, through your light, through you, maybe just one person — but one person — will have found that next step up the evolutionary ladder. ☩

Lincoln Didn't Say It

DEAN RUSSELL

NEXT TO Jefferson, Abraham Lincoln is probably the most quoted — and quotable — President we ever had. And as is the case with all famous persons, Lincoln is sometimes credited with words he didn't utter. Probably the most famous example is this:

1. You cannot bring about prosperity by discouraging thrift.
2. You cannot strengthen the weak by weakening the strong.
3. You cannot help small men by tearing down big men.
4. You cannot help the poor by destroying the rich.
5. You cannot lift the wage-earner by pulling down the wage-payer.
6. You cannot keep out of trouble by spending more than your income.
7. You cannot further the brotherhood of man by inciting class hatred.
8. You cannot establish sound security on borrowed money.
9. You cannot build character and courage by taking away a man's initiative.
10. You cannot really help men by having the government tax them to do for them what they can and should do for themselves.

Dr. Russell, a member of the staff of The Foundation for Economic Education when this article originally was published in 1954, currently heads the Department of Economics at Hillsdale College in Michigan.

Lincoln didn't say that — at least, not in those exact words. The author is William J. H. Boetcker, a retired Presbyterian minister. Yet the words were credited to Lincoln in a national magazine, in the Congressional Record, and in many house organs, newspapers, and radio programs.

The confusion began when an excellent quotation on property by Lincoln was printed on one side of a leaflet which contained the above 10 points, unsigned, on the other side. Several prominent persons who received the leaflet jumped to the conclusion that Lincoln was the author of both quotations, and they said so. As a result, we will probably continue to read this "Lincoln quotation" in various places and from time to time.

Many of us are overly impressed by whose name is actually signed to a statement rather than by what the statement says. Because of this, unfortunately, there will probably be some who will tend to discount the merit of these 10 principles when they find that they were phrased by a comparatively unknown minister rather than by Abraham Lincoln. If so, they should know that Lincoln certainly endorsed these same general ideas in different words. There is no doubt that they represent his fundamental beliefs. For example, here is Lincoln himself along the same line:

"Property is the fruit of labor. Property is desirable, is a positive good in the world. That some should be rich shows that others may become rich and hence is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another, but let him work diligently to build one for himself, thus by example assuring that his own shall be safe from violence. . . . I take it that it is best for all to leave each man free to acquire property as fast as he can. Some will get wealthy. I don't believe in a law to prevent a man from getting rich; it would do more harm than good."

What is Overpopulation?

ROUSAS J. RUSHDOONY



INCREASINGLY, modern man has come to believe that he faces a serious problem in the near future because of the so-called population explosion. The world, he is told, is running out of room and out of food for man, and, as a result, drastic measures may be necessary in order to prevent disaster.

Before the question, "Does the world face overpopulation?" can be answered, another question must be faced: "What is overpopulation?"

Perhaps the best answer to this latter question is that overpopulation is an imbalance between the number of people living and their food supply, which results in hunger and even famine because the available production of food cannot match the population's needs.

In terms of this definition, it must be recognized that the world has had the problem of overpopu-

lation several hundred times at least, and probably almost consistently during much of its history. This ancient problem of overpopulation can best be understood by a few illustrations, and first of all, its history in North America. North America had a continuing problem of overpopulation before the coming of the white man. The Indian population was small, perhaps at most 250,000 to 300,000, and perhaps even less than half that number. Nevertheless, overpopulation was a continual problem, and it led to hunger, famine, and cannibalism. The very word "cannibal" comes from the Americas. It is derived from the Spanish *Canibales*, which came from the Carib *calina*, *galibi*, literally, strong men, i.e., those who practiced it. Both among the tribes contacted by Columbus and in the areas now a part of the United States, cannibalism was

fairly prevalent. Its purpose was certainly often religious and magical, but it was also clearly economical as well, often dictated by the shortage of food. Among some tribes, its magical use continued into the nineteenth century:

From time immemorial the Skidi Pawnees had offered a human sacrifice to the morning star each spring in order to insure the success of their crops of corn, beans, and pumpkins. The victim was always a prisoner of war, and usually a pure young woman. She was treated kindly by her captors and kept in ignorance of her fate until the morning she was led, painted from head to foot in sacred red and black colors, to a scaffold in the center of the village, tied to the crossbars, and, just as the morning star appeared in the sky, killed by a medicine arrow shot through her heart.¹

This is clearly a case of human sacrifice; human sacrifice was often accompanied by a ritual act of cannibalism. But there also existed extensive cannibalism as a remedy for hunger. Indian cannibalism is very little reported or studied. Older Indians who recalled it were unwilling to discuss readily a subject which brought much disrepute to them. Modern writers, prone to a romantic view

of the Indians, tend to mention it only in passing and then to justify it by unfavorable references to cruelty in Western civilization.² Most general works give us only a brief, passing reference to such facts as this, concerning a South American people: "Some of the many bands of Tupian people bred their women to captives of war and raised the resultant children like veal calves for butchering."³ In most cases, however, cannibalism for economic reasons was a last resort, although not an uncommon last resort.

Hungry Hunters

Why were the Indians hungry, when they had the wealth of the Americas at their disposal? The answer is that their food supply was severely limited. A few animals, like the passenger pigeon, were seasonally plentiful, but they were not always available. Before the white man brought the horse and the gun to the Indians, buffalo were much more difficult to hunt, and smaller game was normally depended on. In forested areas, game was scarce. Living off the land is a poor way to live and

² Oliver La Farge, *A Pictorial History of the American Indian* (New York: Crown Publishers, 1957), p. 56.

³ William Brandon, with Alvin M. Joseph, Jr., *The American Heritage Book of Indians* (New York: American Heritage Publishing Co., 1961), p. 56.

¹ John C. Ewers, *Artists of the Old West*. (New York: Doubleday & Co., 1965), p. 48.

makes only a marginal and precarious existence possible. It was rarely done by white men. The fur trappers went into the wilderness with food and equipment as their capital: a grubstake made survival possible. Settlers moved out in large groups, with at least two years' income as capital, to clear, plant, and develop the soil. As the settlers developed the soil, the nearby game increased, because the food supply increased. Game drew close to settlements and multiplied, and Indians drew close to settlers to get the game as well as the settlers' produce and animals. The coming of the white man increased the food supply, because the white man developed the earth.⁴

Here is the key to the problem. The total Indian population in North America was not greater than many an average-sized American city, and yet the Indi-

ans were unable to produce enough food to avoid famine. Some counties in California today produce more food than perhaps the Indians of North, South, and Central America ever saw in a year. For hunting tribes, famine was a normal thing.

From the Abnaki of Maine through the Micmac of Nova Scotia and the Montagnais and Naskapi of Quebec and Labrador, hunger was increasingly a part of life and legend, in direct proportion as farming dwindled and hunting became the only gainful occupation. Even in a country teeming, as the saying goes, with game, the chase is bound to be a shaky provider, there being nothing stable about a supply of wild meat.⁵

Agriculture, then, was a preventative to famine, but it was not a certain preventative. Repeatedly, the farming peoples of Europe have undergone famine. Thus, in England alone, during the thirteenth century, hunger and famine struck in 1203, 1209, 1224, 1235, 1239, 1243, 1257, 1258, 1271, 1286, 1289, 1294, 1295, and 1298. In 1258, for example, it was reported that the poor ate the bark of trees, and horseflesh, and that 20,000 starved in London, which was the report also for 1235. In 1239, we are told that people ate their children, and 1286, a 23 years' famine began, with the

⁴ See James C. Malin, *The Grassland of North America: Prolegomena to Its History*, pp. 138-140, Lawrence, Kansas, 1947; and Malin, "The Grassland of North America: its Occupancy and the Challenge of Continuous Reappraisals," p. 10, Background Paper No. 19, prepared for the Wenner-Gren Foundation International Symposium, "Man's Role in Changing the Face of the Earth," Princeton Inn, Princeton, New Jersey, June 16-22, 1955. See also Marquis de Chastellex, *Travels in North America in the Years 1780, 1781, and 1782*, vol. I, p. 79f., Chapel Hill: University of North Carolina Press, 1963.

⁵ Brandon, *op. cit.*, p. 175.

years cited above being simply the severest years.⁶

The Plymouth colony in New England faced famine immediately as a result of its farming. The cause for this is stated candidly by Bradford: it was the socialistic system of farming which created the famine:

At length, after much debate of things, the Govr (with the advice of the cheefest among them) gave way that they should set corne every man for his owne particuler, and in that regard trust to them selves; in all other things to goe on in the generall way as before. And so assigned to every family a parcell of land, according to the proportion of their number for that end, only for present use (but made no devisiion for inheritance), and ranged all boys and youths under some familie. This had very good success; for it made all hands very industrious, so as much more corne was planted then other waise would have bene by any means the Govr or any other could use, and saved him a great deall of trouble, and gave farr better contente. The women now wente willingly into the feild, and tooke their little-ones with

them to set corne, which before would aledg weaknes, and inability; whom to have compelled would have bene thought great tiranie and oppression.

The experience that was had in this commone course and condition, tried sundrie years, and that amongst godly and sober men, may well evince the vanitie of that conceite of Platos and other ancients, applauded by some of later times; — that the taking away of propertie and bringing in communitie into a comone wealth, would make them happy and flourishing; as if they were wiser than God. For this communitie (so farr as it was) was found to breed much confusion and discontent, and retard much imployment that would have been to their benefite and comforte.⁷

The problem at Plymouth Plantation was thus a restrictive form of farming, one imposed from London, which undercut initiative and production. Basic to sound farming, therefore, is freedom from statist controls. As Montesquieu observed, "Countries are not cultivated in proportion to their fertility, but to their liberty."⁸

Famine Was Normal

Not nature but man is the major cause of famine. Natural disasters such as storms, droughts,

⁶ E. Parmalee Prentice, *Hunger and History, the Influence of Hunger on Human History* (Caldwell, Idaho: Caxton Printers, 1951), p. 6f. See also Prentice, *Farming for Famine* (Garden City, N.Y.: Doubleday, Doran, 1936), p. 7f. Prentice's data comes from Cornelius Walford, *The Famines of the World: Past and Present*, March 19, 1878, *Journal of the Royal Statistical Society*, vol. 41, p. 433; vol. 42, p. 79.

⁷ William T. Davis, editor, *Bradford's History of Plymouth Plantation, 1606-1646* (New York: Charles Scribner's Sons, 1908), p. 146f.

⁸ Montesquieu, *Spirit of Laws*, Bk. xviii, ch. 3.

and frost can indeed destroy crops, but their effect is local, not total. Free production elsewhere can alleviate a shortage in a stricken area. In 1967, killing frosts in the San Joaquin Valley of California in some cases destroyed all the fruit on many farms. Farms sometimes within sight of a devastated farm came through the frost with minor damage. Some produce was in short supply, but other produce supplied the lack by bumper crops. Farmers whose crops were destroyed did not starve. Those who had savings used them to weather the year; many wives went to work to alleviate the financial crisis. The uses of freedom and industry saw these farmers through a crisis without any famine, nor with any proclamation of a national disaster calling for Federal funds.

Walford listed, among the causes of famine, the following factors which are of particular significance:

1. The prevention of cultivation or the willful destruction of crops;
2. Defective agriculture caused by communistic control of land;
3. Governmental interference by regulation or taxation;
4. Currency restrictions, including debasing the coin.⁹

⁹ Cited by Prentice, *Hunger and History*, p. 4.

The world, during its least populous eras, suffered most from hunger and famine. As statist controls receded in the nineteenth century, hunger also began to recede, and Western civilization increasingly saw famine banished and hunger successfully dealt with. A far greater population enjoyed far greater supplies of food.

The reason for this increased supply of food was not simply technology nor the Industrial Revolution. The application of technology to Russian farming since 1917 has not seen an increase in the food supply. On the contrary, food production has declined, and the Ukraine, once the breadbasket of Europe, has been unable to feed the Soviet Union. Technology has not increased the food supply of Red China nor of any other socialist regime. The reason for the increased supply of food was the growth of freedom. Now "thanks to Socialism, famine again stalks the earth. . . . Like a horse and carriage, 'socialism and hunger' inevitably go together." As a result, "much of Eastern Europe, once a granary in its own right, lives off U. S. surpluses, while the fertile farmlands of Algeria, which produced so bountifully for the hard-working colons, have turned barren."¹⁰ In the United States, as a result of

¹⁰ *Barron's*, December 20, 1965, p. 1.

the increasing socialistic controls of farming, food production is declining to the point that civil government officials can speak of future food problems, and a conservative writer can describe the policy as planned famine.¹¹

Hunger Endemic to Socialism

The answer, then, to our problem is in essence this: socialism always creates ultimately an imbalance between the number of people living and their food supply which results in hunger or famine. There is in this sense, therefore, always a problem of overpopulation under socialism. Hunger is chronic and endemic to socialism.

Socialism, moreover, affects both the food supply, by limiting it, and also the population, by both expanding it at one stage and limiting it at another. Socialism grows in a country by catering to a group or to various groups by subsidies. These subsidies penalize the taxpayers for the benefit of favored groups who are termed "needy" but are now in actuality an undeservedly privileged group.

A subsidized group experiences a "population explosion." Being released from the responsibility of work, it lacks inhibitions and feels no constraint about rapid in-

crease. Since more children may be a means of increased subsidy, the inhibition of financial accountability and responsibility is removed. Absorption with sex, and irresponsible sex, are products of a welfare economy. Zoo animals have a different sexuality than do wild animals.¹² A zoo is a welfare economy, and the zoo animals are privileged—and enslaved—animals. A welfare economics gives a privileged and enslaved status to a segment of the population. Again, America gives us a familiar and telling illustration. The American Negro, under slavery, existed in a welfare economy, because slavery is a form of welfare economics. The possession of slaves gave social status but it was not an economic asset. The slave gained cradle to grave security for a minimum of work. His living conditions were sometimes good and sometimes bad, but, on the whole, far superior to those of the peoples of Red China and the Soviet Union. . . .

The census of 1860 estimated that the total population of the United States would reach "about a hundred million" by 1900, but it estimated that, with emancipation likely, due to the start of the Civil War, "so many (Negroes) will be transferred from a faster to a

¹¹ Dan P. Van Gorder, *Ill Fares the Land* (Boston: Western Islands, 1968).

¹² Robert Ardrey, *African Genesis* (New York: Atheneum, 1961), p. 118.

slower rate of increase," that "nine millions of the colored, in the year 1900, appears a large estimate."¹³ The Negro population in 1900 reached 8,833,994, the total population, 75,994,575. There was thus a marked decline in the ratio of the colored population after 36 years of freedom. Slavery, as a welfare economy, had encouraged the birth rate. The further the Negro left behind slavery and plantation patronage, the more his population statistics indicated a declining birth rate. The following statistics are revealing.¹⁴

Year	White	Negro	Indian	Total
	(millions)			
1860	26.9	4.4	.044	31.4
1900	66.8	8.8	.237	76.0
1930	110.3	11.9	.332	122.8
1960	158.8	18.9	.524	179.3

The above statistics do not list Chinese, Japanese, and other groups. The Indians are included to indicate that an Indian population greater than ever existed in pre-Columbian America now lives with millions of Americans without famine. Indian America was overpopulated; modern white America is not.

The statistics are also important in that they show the marked de-

cline in the ratio of Negroes to whites from 1860 to 1930; the Indians showed some increase in the same time, because the reservation system provided them with a welfare economy. The census of 1860 did not include Western Indians, but their numbers at that time were limited in the West. Their strong resistance has created the illusion of great numbers in men's minds. The Negro ratio declined to 1930 but returned to about the same ratio as 1860 in 1960. In other words, a generation of welfare, beginning with the New Deal of President Franklin Delano Roosevelt, provided a return to the subsidized conditions of the Negro of 1860.

The Worst Elements Subsidized

Thus, a welfare economy, up to a point, increases a segment of the population. Whether in ancient Rome or modern America, this increase is of the worst segment of the population in ability, intelligence, and character. The worst elements of the white and Negro populations are subsidized to the detriment of the nonsubsidized whites and Negroes.

In 1965, in the cities, nearly one-fourth of the Negro women who have been married were now divorced or separated as against a 7.9 per cent rate for white women. "Nearly one out of every four

¹³ *Eighth Census*, 1860, p. 8.

¹⁴ Ian Golenpaul, editor, *Information, Please Almanac*, 1967 (New York: Simon and Schuster, 1966), p. 324.

Negro babies born" was illegitimate, a Negro illegitimacy rate of 23.6 per cent as against a white rate of 3.07. More than half of all Negro children in 1965 were helped by Federal-state Aid to Dependent Children, as against an 8 per cent rate for white children. The birth rate for Negroes was 40 per cent higher than for whites, so that it was estimated that by 1972 "Negroes will make up one-eighth of the U. S. population."¹⁵ The situation since 1965 has become rapidly worse.

However, with full socialism, the need to gain votes by subsidy gives way to totalitarian controls over all the people, and population figures then show a frequent decline. Population figures for the U.S.S.R. are estimates only, in that the data is carefully guarded by that state, and the indications

of population decline and famine are many.

The answer to the question, "What is overpopulation?" is that it is an imbalance between the number of people living and their food supply. This is a condition the world has faced during most of its history. As a result, we can answer the question, "Does the world face overpopulation?" that it indeed does face overpopulation, hunger, and famine progressively as it becomes more and more socialistic. Socialism has a poor record when it comes to eliminating problems: its answer adds up to eliminating people. In fact, one of socialism's major and chronic problems is simply *people*. Socialism on the one hand destroys production, and, on the other, breeds up the least desirable elements. Its answer is to find the people at fault. Socialism always faces overpopulation; a free economy does not. 

¹⁵ "Negro Revolt - The Big City Crisis," in *San Francisco Call-Bulletin*, Saturday, August 14, 1965, p. 2.

The foregoing article is reprinted by permission from the opening chapter of *The Myth of Over-Population* (Nutley, New Jersey: Craig Press, 1969). The Reverend Mr. Rushdoony, who is President of the Chalcedon Foundation in California, deals in subsequent chapters with the problems:

Too Many People?
The Economics of Population Control
The Possibilities of Depopulation

Copies of his book (56 pages, paperbacked) may be obtained at \$1.50 from The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 10533.

PLANNING FOR PEACE



HANS F. SENNHOLZ

WAR is the brutal and inhuman method of settling differences between governments. But no matter how great these differences may be, the old arbitrator, time, finds an end to it all. Even the Vietnam war will one day come to its end.

War cannot be driven out by war, for the use of evil breeds more evil, hostility more hostility, and the use of force more force. Peace is the natural state of man, war the temporary repeal of reason and virtue.

In the words of James Madison, fourth President of the United States, "Of all the enemies to public liberty war is, perhaps, the most to be dreaded, because it comprises and develops the germ of every other. War is the parent of armies; from these proceed debts and taxes; and armies, and debts, and taxes are the known instruments for bringing the many under the domination of the

few. In war, too, the discretionary power of the Executive is extended; its influence in dealing out offices, honors, and emoluments is multiplied; and all the means of seducing the minds, are added to those of subduing the force, of the people. . . . No nation could preserve its freedom in the midst of continual warfare."

If this is the true nature of war we can deduce the problems and tasks of its liquidation. We need no government committees that plan for peace, no politicians or commissioners who draft new laws or regulations, merely peace.

Armies can be disbanded without delay. Free labor markets can absorb any number of veterans discharged from military duty. For, contrary to popular opinion, there is no given number of jobs. The demand for labor depends entirely on the price of labor. And this price readily adjusts to any change in labor supply. There is no record of any serious unemployment when millions of American veterans were discharged

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after the Civil War or the two world wars.

It is true, in labor markets that have been rendered rigid through labor union power, surpluses actually may exist. Employment in unionized industries is no longer subject to adjustment through wage flexibility, but is regulated by seniority rule and union decision. This is why returning veterans cannot expect to find employment in these industries unless they meet union specifications.

Termination of war also should permit repeal of all wartime levies. Tax rates can be reduced to pre-war levels unless the government incurred a debt in pursuit of the war. In past American wars, such as the Revolution and the Civil War, the debt was retired in about one generation. The World War I debt was retired rapidly until the Great Depression administrations increased it again. After World War II, no attempt was made at debt reduction. In fact, large budget deficits have added more than \$120 billion to the previous debt.

Wartime taxes are not easily reduced after the war. Government does not voluntarily surrender revenue; its departments and bureaus have insatiable appetites, and powerful pressure groups clamor for government services and benefits. Paraphrasing James Madison, especially in the postwar

period government influence in dealing out offices and benefits is multiplied with the lush revenues from wartime levies, "and all the means of seducing the minds are added to those of subduing the force of the people."

Could this be the objective of the government committees and planning boards created by several state governments? Peace needs no commissioners or directors, merely reduction and retrenchment of government. The American economy needs no help from government in its necessary readjustment from war to peacetime production. It is true, armament and ammunition industries will have to curtail their operations, and consumers' goods industries will expand. In a market economy such as ours, labor and capital always respond to the purchasing power of consumers. And in case tax levies on business should be reduced, the end of war will lead to new capital formation, which in turn would increase economic output and raise standards of living. How can government planning committees aid business in production improvements?

We love peace, but not peace at any price. We do not fear the economic consequences of peace, but the government that is planning for peace.



The E's have it

W. A. PATON

INDIVIDUAL MAN shows a persistent tendency to organize his thinking and activity. Watch the small child eagerly observing his surroundings and you will soon note evidences of the desire to systematize the results of his observations. He starts sizing up, pondering, as well as accumulating information. And if he is not thwarted by the misdirected efforts of parents and teachers he will build up his store of savvy at an amazing rate.

This tendency to array, to classify, is something for which to be thankful. Without the taxonomic inclination, indeed, it is hard to see how one could cope constructively with the complexities of life on this planet, especially if he is a member of a "civilized" commu-

nity. If the individual is disorganized, lacking in understanding, the flow of phenomena encountered these days is likely to take on the appearance of a callithumpian parade—with resulting bewilderment and inability to chart an orderly course.

At the best the life road traveled will have rough spots. Buffets from an unfriendly nature can be expected as well as difficulties and obstacles arising from association with the other humans who are making the trip.

General Standards Needed

It is a great help, in contending with both routine affairs and special problems, to have established guidelines, primary rules or standards, to which reference can readily be made. We need stances, positions. These should be developed early in life, and become so

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embedded in attitudes and behavior, so firmly a part of the warp and woof of the personality, as to provide automatically for right answers and actions in dealing with the great mass of circumstances and events met with in ordinary living. It would be a great nuisance, for example, if intensive study and research were required — every day — to settle questions of sleeping and waking hours, attire, mealtimes and menus, how and when to go to work, and so on. Those who spend a lot of time and energy on such matters rob themselves of the possibility of giving serious attention to the more crucial — and interesting — concerns with which they are faced. (Of course, if the lady really enjoys taking a half-day or more to select a pair of shoes, and has no more pressing or attractive alternatives, a defense can be made for dillydallying at the store.)

A degree of flexibility, it need hardly be said, is required as the individual steers his way through varying, changing conditions, and deals with the complications and cruxes that are bound to arise. The chap who becomes rigidly “set in his ways” will often vex his associates, and stand in his own light as well.

An endowment of basic standards, it should be understood, will

not automatically solve complex problems. Such standards provide nothing more than a broad background on which to keep an eye during the process of doing the research and pondering required in coming to reasonable conclusions, forming sound judgments.

The Twin E's as Possible Guidelines

There are numerous underlying concepts and points of view that may serve as building blocks for character and conduct. Some are rooted in ethics, some stress technology, some show special concern for man's physical well-being, some are heavily loaded with political considerations — and the reader can readily lengthen the list. The twin E's, *efficiency* and *equity*, have been roughly useful to me, particularly in dealing with issues in business operation and economics generally. I'm a long-time admirer of high-level performance, top-flight workmanship, in all lines of endeavor, including the most lowly pursuits. And in company with practically everybody I am also devoted to the ideal of being fair, acting justly, in all transactions and relationships. These benchmarks of behavior are not unduly obscure, and are widely acceptable in general terms. They are nevertheless in need of a bit of examination, in part because there is considerable

misunderstanding associated with their meanings and applications.

Efficiency — E One

Regarded from an economic point of view efficiency is peculiarly an aspect of the process of production; it represents productivity raised to a higher power. In relation to the individual, efficiency refers to both quality and quantity of personal accomplishment. In a broader sense efficiency means overall utilization of manpower and other resources in a superior manner, with the goal of maximizing the flow of goods from the economic pipeline.

The level of efficiency, performance, is accordingly a crucial factor in connection with all efforts to maintain or increase the volume of output. Thus those who are genuinely devoted to bettering standards of living, abolishing poverty, and making more generous handouts abroad should be earnest — if not ardent — advocates of efficient industrial operation. They cannot reasonably condone carelessness and indifference in economic activity, anywhere along the line, to say nothing of outright loafing and soldiering. They must support good organization and administration. They must be on the alert to oppose interferences by either governmental or private agencies with new methods and

techniques designed to reduce waste, promote better operating performance, and spur product improvement and development of new products.

In the area of commonplace manual activities, such as laying shingles or trimming hedges, it is usually fairly easy to select the star operatives, and measure margins of superiority. Even here, however, there are questions to settle in making comparisons and forming judgments. When the boys go out to the swamp to pick wild raspberries no one expects 8-year-old Tom to equal the accomplishment of his 12-year-old brother Dick, and 16-year-old Harry may well do still better. Likewise in appraising mature workers, in any field, muscular strength, eyesight, native intelligence, and other inherent qualities must be taken into account in rating performances (which doesn't mean that the handicapped person, even if his effort is 100 per cent, should be rated above or be paid more than a superior workman whose effort falls short of the best of which he is capable).

In the area of those providing professional and quasiprofessional services, including inventors, researchers, explorers, and other highly specialized workers in the economic vineyard, it is more difficult to array individuals in terms

of level of performance. In the field of business management, for example, who constitute the outstanding performers, who make up the second flight, the third-placers, and so on? In appraising executives, breakdowns are of course necessary in terms of years of experience, levels of responsibility, and other factors. The familiar tests of the rung of the financial ladder attained by the manager personally, or by the organization he heads, are not free from objection as measures of essential talent and accomplishment.

Among rank-and-file staff, and laymen generally, as we all know, the supervisors and bosses, including the top brass, often don't rank very high on any scale. Opinions and judgments from such quarters, as we also know, are likely to be uninformed and arbitrary. The widespread bias against business, which will probably always be with us, stands in the way of good measurement of either people or enterprises by popular polls. Even among students of economics the key functions of the entrepreneur, and the savers and investors who provide the necessary funds, are often not clearly seen, and convincing anyone that speculators may be rendering an important service in the market economy is next to impossible. The confirmed socialist, of course, insists on clas-

sifying all capitalists as parasitic, if not as full-fledged jaegers.

One other phase of the problem of defining and measuring level of performance should be mentioned. In an economy dominated by machine methods, and with production largely in the hands of business enterprises commanding a complex of tools and employing a substantial number of people, furnishing a wide range of services, the individual participant is a part of a package of productive factors and his particular contribution may not be readily determinable. Moreover, the performance of the particular human agent is bound to vary with the nature of the package of which he is a part. The individual's productivity, in other words, will vary with his technological endowment, and the overall setting in which he is working. To use a very simple example from farm operation, the man plowing with an old-model tractor, not in first-class condition, cannot be expected to match the showing of the man operating a fast, modern machine.

Increasing attention is being given nowadays, quite properly, to ways and means of motivating the members of the enterprise staff, and of judging capability and achievement. But there are no easy solutions, no convincing and infallible measurement techniques,

conveniently at hand. Where two or more factors contribute to a common end there is literally no valid physical method of assigning the value of the result to the contributing factors. The only significant solution available is the imputation furnished automatically by the mechanism of the market.

Efficiency — Conditions Conducive and Contrary

In the above comments on *E One* are some suggestions and implications as to conditions encouraging or discouraging to high-level effort and achievement in the economic realm, but this important subject needs further attention — at least to the extent of outlining major factors. In extending the discussion, briefly, no attempt will be made to distinguish sharply between efficiency in the sense of personal, individual accomplishment and the level of performance — productivity — for the economy as a whole. The two aspects are of course closely related.

The basic requirement is the institution of the market, referred to above. In the absence of a market economy there is no substantial foundation for top-flight workmanship and high productivity. Without a market there can be no exchange (beyond clumsy barter), without exchange there is no opportunity to specialize, and

without specialization there is little or no incentive to become an expert, a master, in any line. Even the potential jack-of-all-trades has small chance in a non-market environment, lacking an array of trades at which he can bestir himself.

The term "miracle" has often been used to characterize the amazing accomplishment of the free competitive market as the director of economic activity — both production and distribution — and this characterization scarcely goes too far. Reflecting the continuing interplay of the attitudes and desires of the host of participants, the market gives the signals that channel resources into an intricate array of enterprises, turning out a still more elaborate pattern of products, and at the same time determines the shares in the output — makes the awards to all contributors and claimants. The market, in other words, provides an impersonal and automatic thermostat for the entire economic process.

The institution of the market has proved to be tough, but it is not indestructible. If laden with a maze of governmental restrictions and interferences the market's ability to translate promptly into prices the ever-changing flow of impulses from buyers and sellers, can be impaired to the point

of malfunction, and if the process of piling on regulations is continued the end result will be some form of central planning or socialist dictatorship. It is beyond the scope of this small piece to present an indictment of collectivism, of any variety, but both the historical and current scenes present an abundance of evidence of the inefficiencies and tyrannies that flow from governmental operation of the economy. If the reader has any doubts on this point let him take a careful look at the experience of the U.S. post office — or any other business run by a political apparatus of any kind. Or let him read the devastating account of "The Rise and Fall of the National Plan", in Great Britain, by the Honorable J. Enoch Powell,¹ and follow this with Dr. G. Warren Nutter's *The Strange World of Ivan Ivanov*.²

Other Wasteful Interventions

Government action is not the only source of interference with the free market which threatens the survival of that institution. The restraints and arbitrary rules

imposed by labor unions constitute a substantial roadblock to the functioning of the market, especially in certain sections of the mechanism, and undoubtedly result in inefficient use of available resources and serious limitation of output. I still wince when I read about the 20-25-hour work week. What in the world will a guy do with the remaining 140 or more hours? And I can't overlook the soldiering tendencies, lack of discipline, seniority rules, required featherbedding, and other features of present-day labor practice standing in the way of greater productivity.

Inefficient use of human resources wouldn't be so bad if we could keep the machines going without the men. Driving past a construction job on the highway, and seeing the equipment standing idle, in broad daylight and good weather as well as when working conditions are unfavorable, continues to be a painful experience for us worrywarts. The spectacle is then made infuriating by a big sign with the legend "Your Tax Dollars at Work".

But we can't blame all our economic troubles and losses on government and the unions — or on the weather. There is a widespread infection amongst us of bad habits and practices. Vandalism is rampant, and we are becoming so

¹ Chapter 3 of *Freedom and Reality*, a brilliant book by Powell. B. T. Batsford, LTD., London, 1969.

² World Publishing Co., Cleveland, 1969. Professor Nutter, currently an important official of the U.S. Department of Defense, is an outstanding authority on Russian economics.

callous that the smashing of a score of plate-glass windows, coupled with a bit of looting, or the wrecking of a schoolroom, are hardly worth noticing in the news. Major criminal action, organized and disorganized, and increasing at a frightening pace, is surely man-made, and can only be curbed by concerted human effort. Fire does a fantastic amount of damage across the country, and few communities of substantial size escape serious conflagrations for long periods. There are undoubtedly many cases of arson and sabotage, and lightning does strike occasionally, but sheer carelessness by smokers and others remains the number-one cause. The carnage on the highways, resulting in 55,000 deaths and about 80 times that number of reported injuries annually, should perhaps be put at the top of the list. As every police officer and car repairman knows (and anyone willing to observe and think does too), traffic accidents are accounted for by the bad driving habits of a substantial fraction of the licensed operators, and the effort to shift the responsibility to the cars — remarkably well-built and efficient vehicles — is one of the silliest nonsense campaigns to which we have been subjected. The universal method adopted by the newspapers in reporting accidents, describing the

car capers that bring disaster to the driver, is truly exasperation reading.

If anyone were to stand on the street corner and poll passers-by with the simple question: "Do you favor waste, inefficiency, and low productivity?" it is safe to say that he would receive negative answers from almost all of those whose attention he could attract to his question. But if he could follow this up by studies of the habits and conduct of a sample of the people polled he would find condoning of bad present-day practices and conditions, and active participation therein, in many cases. Again, unfortunately, we don't practice what we preach.

We Have Still Fared Well

With all our frailties and troubles the performance of the American economy to date has been almost incredibly good, by all comparative tests. Favored by the stimulus of a substantial degree of laissez faire, in our political and economic environment, the economic output of the United States, in both volume and variety of products, has been the world's wonder — and envy. The basic statistics of our affluence, and margin of superiority, have been widely publicized, and will not be quoted here. Instead I'll tell a short story of personal experience. About fif-

teen years back I was pinned down by bad weather at the "Soo", in Michigan, and was trying to do a bit of writing while waiting at the hotel. My ball-point suddenly gave out — as they still do. Down town I went to get a couple of new cartridges. In the department store I wandered into I caught sight of a small barrel filled with plastic, retractable ball-point pens, attractive in appearance and priced — you won't believe it — at 5¢ each! I tried one or two and ended up buying a dozen, the total cost being less than the price of a refill cartridge for my old pen. As I recall there was only one lemon in the bunch. This episode impressed me then and has continued to impress me as token evidence of the tremendous surge of American technology and the marvels afforded by our operating methods and the mechanism of the free market. I would wager, and give odds, if there were any way of deciding, that if a government bureau or board had been established when the Pilgrim Fathers came ashore from the Mayflower, about 350 years ago, with instructions to produce a workable ball-point pen to retail for a nickel, the result to date would be the complete failure of the undertaking. They would probably still not have a pen of any kind.

The problem now, in a nutshell,

is how to retain the essential features and blessings of the system.

Equity — E Two

The other side of the coin is equity, fairness, and this is a more elusive concept, and hence more widely misinterpreted, than the standard of efficiency, superior performance. About all that can be attempted here is to throw some light on major misunderstandings, and indicate the linkage of E-Two with E-One.

The fatal weakness in the popular view of the meaning of equity results from loading the concept heavily with sentimentality — turning it into an emotional lode-star. According to this slant on the subject, fairness in human conduct means giving primary attention to the needs and desires of the "disadvantaged", the "underprivileged", coupled at times with actual restraint and discouragement of the more talented and productive amongst us. This view is grounded in part on the familiar tendency in family life to devote especial care to the sick or ailing member, or the crippled child. No one in today's society objects to this, even where there is no possibility of cure or improvement. But is it reasonable to extend this policy generally, throughout the economy? I believe that a negative answer is

justified. If the individual, on a strictly voluntary basis, devotes a part of his energy and resources to helping his fellowmen, nearby or far away, who have unsatisfied wants or are in distress, such action should be acceptable in a free society. But this is a far cry from using the powers of government, plus private pressures from fund drives and other organized appeals, to take by force—or other form of coercion—the fruits of the labor of the more capable and successful, and ladle out the resources so seized, through the agency of costly boards and bureaus, in welfare programs often clearly unwise and wasteful. I see no good reason for considering such action as falling within the zone of fair or equitable policy.

Here, today, is our number-one problem. We are suffering from a sustained surge of catering to the underdog, including proposals that approach complete irrationality. Especially hard to take, by those who still respect common sense and objective thinking, are the suggestions and demands pouring out from the current swarm of psychologists, sociologists, welfare workers, and other “social science” groups infesting college campuses. These “experts” don’t hesitate to push programs that are bound to intensify and perpetuate the problems they are ostensibly trying to

solve—which is folly compounded.

Equity is not softness. Good management often requires hard-boiled decisions and actions and these need not be at odds with justice. Trying to fit square pegs into round holes, it is universally agreed, is not practical procedure. There is also wide acceptance of the view that it is bad policy to substitute inferior materials for those called for in the job specifications, or to employ unsafe or substandard methods and equipment. Why can’t it also be recognized that displacing the more efficient and productive employees to make room for inferior personnel is no way to run the shop, in any field? It should be plain, too, that heavy concentration of available funds on training the backward, the unpromising, to the neglect of selecting and developing the talented, the individuals with high potential, will eventually saw off the limb of advancing technology and high output we are sitting on. We can’t afford, in short, to misuse the pegs.

But those objecting to proposals they regard as stupid and dangerous should not be too eager to suppress the agitators and nuts, in professorial ranks and elsewhere, who are leading the parade. A free society must provide elbow-room for diverse points of view and varying procedures. Miss Folly

is riding hard today and effective resistance is badly needed, but let's not call on government to unhorse her if this can possibly be avoided. On the other hand, it would be quite proper if the governing boards of our colleges and universities, and the taxpayers who are putting up the money, were to insist on revision of current employment and tenure practices.

A Place for Kindness

Before commenting further on the economic side of the picture it should be noted that there is no intention here of attacking or disparaging the exercise of kindness in human relations. Patting little Tommy on the head, or even giving him a Roosevelt dime on occasion, is a personal right against which there is no need to tilt. Befriending a neighbor, even when his difficulty or condition is of his own making, and similar acts, likewise may pass muster as unobjectionable conduct. Two warning notes should be sounded. First, don't indulge your friendly spirit to the point of being a nuisance, a busybody, or a person who leaves the sink at home full of dirty dishes while out helping others to tidy up. Second, look at the secondary as well as the immediate effects of your generous impulses, and if the object of your

solicitude will be damaged, for the long pull, rather than benefited, try substituting good advice for other interferences; or, even better, try tending faithfully to your affairs and letting the other fellow have a go at solving his own problems.

There is likewise no intention of suggesting that courtesy, friendliness, humane treatment, are not compatible with efficient operation in business enterprise. For ten years Mrs. Paton and I, with our granddaughter Victoria on occasion, have been regular patrons of a restaurant (a small chain) which we have decided is the best that can be found for our needs. And the major factor which attracts us, in addition to the superb soups, is the quality of the service. The "girls" are carefully selected and rigorously trained and they are conspicuously *considerate* as well as *capable*. We have traveled about quite a bit and have never found their equal elsewhere — regarding the staff as a whole.

I suspect that careful investigation would show that usually one will find efficiency where he encounters courtesy.

Fair Prices and Fair Profits

This is the area in which efficiency and equity must be confronted. What is a "fair" price?

What is a "fair" profit? These terms have been bandied on the economic scene for a long time, and they have finally become so entrenched and commonplace that everyone assumes they have settled, significant meanings. The fact is, however, that it would be difficult to find anything else in the everyday economic lexicon with less substance—or with more potential for mischief—than these popular expressions. Here is a spot where there is a real need for dissipation of the fog.

With regard to price adjustments and profit levels, "fairness" is widely considered to be identical with "reasonableness", and this view has been encouraged by several prominent business tycoons. "We only want a fair profit". "We are only entitled to reasonable prices and earnings". This is the kind of talk that has become very familiar and is widely applauded. Actually such remarks are twaddle, and it is painful to see them taken seriously. A *proper price* is the resultant of the array of attitudes and impulses from buyers and sellers in a free, *competitive* market. In such a market the producer is entitled—to put it bluntly—to get all he can, to sell at the highest price obtainable under the prevailing conditions of demand and supply. It is sheer nonsense to prate about any other standard

than that furnished by the market, the director and arbiter of our economic affairs and a stern disciplinarian to boot.

And substantially the same test must be applied in passing judgment on the level of the net earnings, profits. The contractual, hired, layer of funds is of course entitled to the price agreed upon, as long as it is financially feasible to make the payments as agreed. Those who provide the layer of exposed, high-risk capital, as stockholders or proprietors, on the other hand, have no contract with the business entity or with customers assuring them of a particular rate of return, or any return. Their investments are cast upon the waters of the conditions of the particular business, with the state of the economy as a whole as background, and they face the possibility of loss as well as gain. Nevertheless the layer of risk or venture money is essential, crucial, in private business operation; and a continuing accumulation and flow of such funds into the economy cannot be expected unless the overall economic climate provides at least the prospect of an income sufficient to justify the responsibilities and hazards undertaken. It's a bit like fishing; not many would indulge in this activity if there were no hope of catching anything. The

greater the hazard, moreover, the more necessary the possibility of hitting the jackpot, making an unusually high rate of income. In other words, there must be a lure appropriate to the risks assumed. Those who are forever advocating the restriction of profits to some nominal "fair" rate are in effect proposing a barrier to capital accumulation and investment and — for the long pull — a barrier to the continuation of a system of private enterprise. One of the sure ways to destroy capitalism, without firing a shot, is to take away the incentive of the stockholder class. Risk is inherent in economic activity, and the only alternative to the shouldering of this risk by private capital is use of the tax power of the state — which means some form of socialism.

"Profiteering" should be mentioned. This is a term that ought to be banished from our vocabulary. I doubt if there can be found, either in popular discussion or in the technical literature, a clear-cut, understandable definition of "profiteering". But everybody uses the expression freely, to describe those nasty people who charge "too much" for their products and make "excessive" profits. One of my professor friends — whom I won't name — recently wrote about how the ancient Greeks "discouraged profiteering in the construc-

tion of public buildings". The building contractors, so the story goes, were required to carve the amounts of their receipts and expenses "on stone tablets which were set in the walls".

Once more: prices and profits are not excessive or improper if the levels are set by the forces of the free, competitive market.

Significance of Competition

In the above comments there have been several references to the market, as the basic economic institution, and in these references the qualifying adjective "competitive" has been attached. Here is another spot where misunderstanding is rampant and an attempt to make a brief clarifying statement is in order.

Popular concepts of economic competition are generally hazy and unrealistic, and most of the treatments in the textbooks are far removed from the actual processes of price-making. The courts and regulatory commissions, too, have often been off the track in their theories and determinations. The common opinion seems to be that competition is a harsh and chaotic process. Fairness is often regarded as unattainable in a competitive climate. There is misunderstanding as to long-run versus short-run impacts; there is inadequate appreciation of the varying forms

and modes which market competition may take. Above all, both casual and close observers have trouble appraising the evidence that price levels and movements yield as to the existence and potency of a state of competition. Thus we see legal determinations that find lack of competition in a continuing similarity of product prices, and others that scent monopoly in varying prices in a particular market area.

Competition, it must be insisted, is not a cruel or baneful influence; it is rigorous, but neither unfair nor destructive. Competition should not be equated with misrepresentation, fraud, or any form of predatory conduct. The essence of competition is pressure on the producer to reduce costs and improve products to attract and keep customers. This pressure, stemming from other producers, may take a number of forms. It may result from improvement in product quality, better packaging, more prompt delivery, superior repair service, and so on — as well as from a lower price. Strictly speaking, the *product* is the entire set of physical elements and related conditions furnished to the customer. In practice there is a tendency to look only at the price factor in judging the presence and degree of competition, which is clearly a mistake. We should be thankful

for producers who are efficient, aggressive, innovative. These hustlers force the rest of us to grab at their fast-moving coattails and try to keep up with the technological and administrative advance. Here is the feature of the market which provides protection for the interests of the customers. Competition represents the pressure needed to keep all producers disciplined and on their toes.

Imperfect and Effective

An important aspect of the competitive process, usually overlooked, lies in the fact that competition must be imperfect in order to be effective. The hustlers and innovators just referred to are of course trying to gain an advantage by getting the jump on competitors with the new package or other improvement. If the impact of every new development were instantaneous and complete throughout the market, so that no advantage whatever could be realized by the producer whose resourcefulness is responsible for the change, there would be a serious dampening of the urge to make improvements in methods and products.

Competitive pressure is the primary roadblock to the growth of monopolistic situations. Potential competition — the possible entry of new producers into the field —

is also an important antimonopoly factor. In addition there are well-known obstacles to monopolistic overpricing in the form of elasticity of demand and possible use of substitute products.

Producers undoubtedly worry a great deal about competitors, and don't particularly enjoy seeing new heads appearing on the horizon. There is nevertheless a bright side to meeting competition, aside from the great benefit to customers. Pressures that require us to get busy are a good antidote for the inevitable dull periods. Falling into a rut is easy, but a long stay there is neither enjoyable nor conducive to effort to climb out. For a dozen years or so I was on the board of directors of a company that had begun to go slack, fall behind the procession, especially in product quality. Old customers were complaining and the situation was becoming critical. At this point a new president came on the scene and started cracking the whip. Junior executives, jarred out of a state of complacency, did a lot of growling at first. But shortly—and here's the point—

they began to take part vigorously, with obvious improvement in spirits, in the campaign to catch up with competitors. Without much doubt, for most of us, an atmosphere of hustle is preferable to a continuing state of humdrum.

* * *

It's time to wind up these observations about the E twins. Two points, pertaining to individual conduct, may be stressed in conclusion. First, the most satisfying feature of a lifetime on Mother Earth is a sense of accomplishment. This becomes very plain as we grow older. And although most of us never achieve pinnacle performance in anything it's fun to keep trying. Second, looking back on the journey provides an especially good feeling if one can recall few if any times when he behaved unfairly. The best way to run the race, for sure, is to rely on one's own power and speed, and not get in another runner's way, in the drive to hit the tape first.

The E's, like the "ayes", still have it. 

A Living Symbol

I DECIDED to wear a peace symbol.

No, not THAT peace symbol, the one used by some folks as an emblem of their protest against war in South Vietnam.

I've always held that anyone who favors war over peace isn't all here, so wearing a symbol to protest the Vietnamese war or any war is like nothing. Who needs it?

Still, seeing these people walk around with their inverted trident badges nagged me. We're all for peace, I said to myself, except most of us don't feel the need to constantly remind everyone who sees us.

Finally, I concluded that THAT peace symbol didn't really stand for peace, anyway. The inverted trident is the combined semaphore symbol for the letters ND, which stands for nuclear disarmament, and was first used in the mid-1950's by "ban the bomb" marchers in London, England.

My peace symbol was to be much older. It had its origin some-

where back in antiquity, when men got the idea that their bodies and their minds belonged to themselves and not to some slave master. The concept was refined and developed in the eons, exploding, as it were, in the American Revolution. The imperfect men of the Revolution later put together the imperfect Constitution of the United States of America.

Despite its deficiencies, the Constitution was then, and continues to be, a beacon in a world of authoritarian lust. If the dreams men dreamed could not be perfected under the Constitution, the fault lay not with it, but with the men themselves. Enough of them realized this; some of them also saw the uniqueness of the Constitution: the power of government was granted from the governed, not from some divine right or from the muzzle of a pistol, and they were free to act for themselves, not as some king or dictator directed.

Many Americans reacted posi-

tively to these extraordinary conditions. They pursued self gain. Working in their own interests, they created the climate that produced opportunity, that produced jobs, that produced wealth. Among themselves they debated enterprises, funding those they believed would be profitable, rejecting those they considered would not result in good returns.

Not everyone was productive in the positive sense. Some cheated and robbed. Others, perhaps those who considered themselves more sophisticated, determined to use government to achieve for themselves what they were unable to do in the free market place. Thus, the corruption of the Constitution set in at once.

Who can say if men will always rob to accomplish for themselves what they have been denied by the good judgment of their fellow men? No one can say with certainty, but until that utopia arrives, the peaceful and productive citizens, those who would rely on themselves and on the voluntary and willing cooperation of their neighbors, must organize a police force which they name government.

This police force is not designed to restrict or to restrain any person engaged in peaceful endeavors. Nor is it intended to do for some men what other citizens will

not do for them. Confident that this was the bedrock of their government, the people of the United States sought to make better lives for themselves in thousands of different ways.

Peaceful Existence Under Law

The measure of their success could be gauged in many ways. Monetarily, it was represented by the dollar, which in July, 1785, had been adopted as the money unit of the United States. The first paper money was issued in 1861 and on many of the notes the initials of the United States were printed: \$

Some persons believe the \$ sign stands for the initials of the United States, a narrowed U atop the S with the bottom of the U cut away.

But A. H. Quiggin wrote in *The Story of Money*, "The upright lines of the dollar sign, \$, may be derived from the Pillars of Hercules, but the device is usually attributed to the Spanish contraction for *peso*, a weight." The Pillars were represented on the Spanish dollars, or "pieces of eight," before the first colonists arrived.

Whatever the origin of the dollar sign, I thought it would serve as my badge of peace. I had a friend fashion such an emblem — 4 inches high — from silver, except that the bottom of the U was

not cut away. A chain was attached to it and I let it hang from my neck. I wore it everywhere I went.

Among persons who saw it and asked about it, my self-devised peace symbol seemed a quick success. After stating what it was, I explained that the U.S. was the embodiment of the ideal of peaceful existence within a framework of law and that it was within this structure that maximum personal freedom, and productivity, was achieved.

The U.S., I said, stood for a positive assertion of peace. Only when there is peace can we maximize the effort to satisfy human wants and desires. War and turmoil are the great destroyers because they turn efforts and resources away from filling the real needs of human beings.

Freedom Under Limited Government

Only by strictly limiting government to its necessary role, as outlined in the Constitution, can Americans be most fully served, for they serve themselves and one another through voluntary and peaceful exchange. This remains the promise for these United States if government intervention ceases, because interference by government in the market place is unpeaceful.

In its finest sense, the U.S. stands for the best possible meaning of peace that I, to now, have been able to discern. That this peace hasn't been achieved is no slander on the concept or the potential; rather, it is a confirmation of the imperfection of man.

Nonetheless, I believe the ideal, while it may never be achieved, is known, and that if it is ever to be reached it will be done by men individually controlling themselves and their actions. Peace would be the inevitable outcome. The idea is there, and that is the thought I had hoped to express with my peace emblem.

Then one day, five weeks later, I put the symbol away. I wasn't displeased with the results, but I realized there was a still better symbol, the symbol of self.

A living symbol, which we human beings may struggle to become, though we know we shall never ascend the pinnacle, is far better than an inanimate sign which can mask deception. Humans can and do deceive, too, but I don't believe they can always hide their real selves. What they are will come through in what they do and say.

The symbol of what we are should be ourselves, not a piece of lifeless metal.



The Conservative Mainstream

FRANK S. MEYER, who writes the fortnightly column called "Principles and Heresies" for the *National Review*, is totally uncompromising when facing his collectivist enemies. But within the conservative movement he is the great conciliator.

This does not involve Mr. Meyer in legerdemain, but it does require of him considerable deftness in analysis. In *The Conservative Mainstream* (Arlington House, \$8.00), an extremely well-arranged collection of his columns, articles, and reviews, Mr. Meyer is careful to make his own position absolutely clear. He is a "libertarian" more than he is a "traditionalist." The libertarian, he says, takes as his first principle in political affairs the freedom of the individual. In a free society the power of the state must be limited to protecting the individual in his inalienable rights, as they are menaced from within

the nation and from without. Where the libertarian philosophy is strictly applied, the state taxes only to support the police, the courts of law, the military forces, the public services that guard the individual against disease and the invasion of privacy, and the currency that is used in contractual relationships. Mr. Meyer is under no illusions that we live in a libertarian society today, which means that he does not support what passes for liberalism in an age of sloppy nomenclature. He is, in a way, a Whig, but without the nineteenth century Whig's carelessness about letting a bit of socialism creep into the practical ordering of affairs.

Thinking as he does, Mr. Meyer has often been the target for traditionalist conservatives who think the pursuit of virtue is the only important consideration. Mr. Meyer parries the traditionalist's as-

sault upon his — and the libertarian's — position by conceding that it is the duty of all men to seek virtue. But he insists on the need for individual freedom if the pursuit of virtue is to have any human or moral significance. Virtue, if compelled by an unlimited government, is, as Mr. Meyer puts it, a mere "simulacrum" of the good. The virtuous individual must make his own uncoerced choice between good and evil if he is to be something more than a zombie.

Means and Ends

So Mr. Meyer comes to his conclusion that modern conservatism must be a fusion of two different historical streams of thought. Freedom is an end, as the libertarian has always held. But it is an end only at the political level. When the higher ends of the human being are considered, freedom at the political level becomes the means which enables the individual to make his own moral and religious decisions for himself.

Since power cannot be wished out of existence, as the pure anarchist might wish, both the libertarian and the traditionalist wings of the modern conservative movement must insist on the continued relevance of the thinking of James Madison to American conditions. The powers of the central state must be divided and balanced, and

the nonenumerated powers must be left to the voluntary associations where they are not considered to be within the discretion of the local governing unit. The Madisonian would reject both the authoritarian extreme of nineteenth century conservatism and the utilitarian extreme that betrayed John Stuart Mill into socialism in his old age. There is room for "providence," "honor," and "valor" in Mr. Meyer's Madisonian fusion of the conservative and libertarian streams of thought. As Mr. Meyer says, the champion of a freedom that is founded on the "deep nature of man" does not revise Patrick Henry. He does not say, "Give me liberty if it doesn't mean risking war; give me liberty, but not at the risk of nuclear death."

The traditionalist conservative who quotes Aristotle against Mr. Meyer's "fusionist" position runs up against Mr. Meyer's own superior knowledge of Aristotelian ethics. "In order to be good," said Aristotle, "one must be in a certain state when one does the several acts, i.e., one must do them as a result of choice and for the sake of the acts themselves."

From Abstract to Concrete

Mr. Meyer is more willing than most journalists to argue in terms of abstractions. But the bulk of his book applies the abstract "princi-

ple" to the concrete instance of modern "heresy." Thus Mr. Meyer is able to take on such enemies of his own conservative fusionist position as John Maynard Keynes, Robert McNamara, the majority members of Chief Justice Earl Warren's Supreme Court, Lyndon Johnson, the Kennedys, Senator Eugene McCarthy, the more "New Dealist" of the Republican Party (Javits, Lindsay, Nelson Rockefeller). At the other end of the contemporary spectrum, one finds Mr. Meyer attacking the Populism of George Wallace, who would substitute for the "liberalism" of the Eastern Establishment the tyranny of the majority as "pure will," untrammelled by "considerations of freedom and virtue." Wallace is against the modern liberal's urge to impose a "utopian design" on society. This in itself is good. But in his campaign against the "pointy heads" and the "briefcase toters," Wallace combines "nationalist and socialist appeals" (he is for the Welfare State in Alabama) and betrays a "contempt for the intellect in all its manifestations." His "polar opposite" of the modern liberal's "political perversion" is just another perversion. It is not "true conservatism."

Naturally Mr. Meyer is very much concerned with foreign policy. He takes communism seriously. Marxism is devoted to the

ultimate destruction of capitalism, the bourgeois order, or whatever you want to call the Western way of life. This being true, the confrontation of East and West cannot come to an end without surrender by one side or the other. (The surrender could be peaceful, depending on internal political overturn in Moscow and Peking, or in Washington, London, Paris, and West Berlin.) Since Mr. Meyer is in no mood to surrender, he insists on fighting the Cold War, and even such Hot Wars as the one in South Vietnam, which was forced on us by inept statecraft. If we and our allies are to be overrun by the communists, the opportunity to pursue virtue would obviously be closed to everyone save a few congenital martyrs. There would be no more scope for argument between traditional conservatives and libertarians such as Mr. Meyer; indeed, there would be no fundamental arguments of any type. We would be back in the catacombs, facing a new Dark Age.

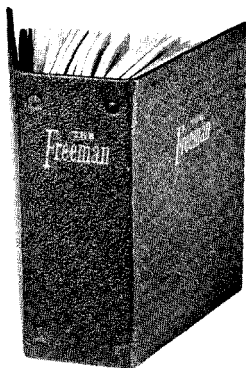
Differences Among Friends

Mr. Meyer's insistence that Soviet intentions are wholly dishonorable leads him into controversy even with some of his generally anticommunist colleagues such as James Burnham. Burnham, as Mr. Meyer sees it, has ceased to be wholly persuaded that Moscow

must, by virtue of Leninist doctrine, be committed to an expansionist program forever. This seems to Mr. Meyer to be a repudiation on the part of Mr. Burnham of the old anticommunist position which regards Leninism as inherently imperialistic, and therefore continuously menacing to the capitalist world. Mr. Meyer's own thinking is that Moscow pursues "co-existence" purely as a tactic. It is aimed at making the Soviet Union's western front safe, thus freeing the communists to follow a strategy of subversion and the

promotion of "people's war" and "liberation" in the old colonial regions of Asia, the Middle East, Africa, and Latin America.

In the opinion of this reviewer, Mr. Meyer is correct in his assumptions. But surely Mr. Burnham, however he may have nodded in a particular instance, is in fundamental agreement with Mr. Meyer. After all, the author of the *Suicide of the West* can hardly have gone over to the cause of self-destruction through the lack of eternal vigilance. 



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DRUGS AND THE LAW

DONALD M. DOZER

MARIJUANA, LSD, barbiturates, amphetamines, and now the cyclamates have become targets of legal extermination. When marijuana is found growing on our hillsides or in a neglected crevice of a downtown building it must be attacked with hoe and shovel and destroyed under the surveillance of police authorities. The zeal of the national government to prevent the importation of marijuana has produced a border crisis with Mexico. Tobacco has been proved to be a serious offender against the health of our people. Will the new crusaders, acting in the name of the public welfare, now mobilize and march with hoes and shovels against the dread plants ranged in militant phalanx in the fields of Marlboro country?

A young college student seeking escape from the ordeal of modern living brews himself a jimson weed broth on his hot plate and after hallucinogenic contortions

dies. Will the law now undertake to extirpate all jimson weeds from the countryside and clamp a quarantine on it at the borders of the nation? And the possibility must not be overlooked that seeds of these *plantes noires* may be carried across the border by birds, which obviously therefore must be brought under the surveillance of the immigration authorities.

A half century ago the United States undertook by law to prevent the sale and use of intoxicating beverages and as a result produced a nation of informers, bootleggers, lawbreakers, and drunkards. In panicked anxiety we adopted a policy of paternalistic authoritarianism which is now repeating itself as another periodic spasm of concern to be our brother's keeper. Now police officers are given instruction in detecting the smell of marijuana smoke, and they snoop outside the apartments of suspected users in an effort to catch a whiff drifting through windows or over transoms.

Dr. Dozer is Professor of History at the University of California, Santa Barbara.

**Inviolability of Free Choice
or Social Control through Law**

The central idea of the law in the nineteenth century was the importance and, derivatively, the inviolability of the free individual will. But the law has come increasingly to involve itself not only in protecting individual life but in assuring to the individual a productive and satisfying life. All this is being done under the modern postulate, so well expressed by Dean Roscoe Pound, that "the risk of misfortune to individuals is to be borne by society as a whole," and consequently society must assume the obligation to prevent misfortune to individuals even when committed by their own hand.¹

This places the state squarely in the position of being the guardian of the morals of each individual in society who may engage in acts harmful to no one but himself. In such cases the state may even impose punishment without proving that his act produced any harm to himself. The tendency in this direction, it appears, increases with the growth of the consensus society, with the expansion of the agencies of responsiveness between citizens and the instrumentalities of government, in short

with the coercive facilities available to society.

What, then, is the stake that society has in the preservation of the life of an individual citizen? Is it obliged to see to it that no individual harms himself even though he may wish to do so? Should government rightly assume any role in the enactment and enforcement of sumptuary legislation, that is legislation affecting the appetites, dress, and health of individuals?

These questions lie close to the heart of responsible civilian government. They impinge directly upon the problem of the optimum relationship between the individual and society, a perennial problem in our human situation. Legal restraints which are couched in too repressive language may be tempered by administrative discretion, which in turn may give rise to inequities in the application of the law, or such restraints may, on the other hand, be judged to necessitate rigorous enforcement action, even to the calling out of troops and the imposition of military controls with consequences fatal to consensual government. For, significantly, the limitations upon individual freedom are bracketed under the police power opening the way inexorably to the establishment of the police state.

¹ Roscoe Pound, *Social Control Through Law*, 2nd printing (Hamden, Conn.: Archon Books, 1968), p. 116.

Limited Use of Force

It has been the persistent objective of the champions of freedom to limit the area within which the law, construed as the force of society, may impinge upon the individual. The basic principle of a free society, as defined by John Stuart Mill, is that "mankind are greater gainers by suffering each other to live as seems good to themselves than by compelling each to live as seems good to the rest." The individual is entitled as of right to enjoy legal noninterference with his natural freedom.

We are living in a period marked by a wide dichotomy between law and morals when law is seeking to replace morals as the cement of society. The justice that is sought is to be achieved, it is thought, through the force of state action, by the acts of a society which is politically organized. This society, as it perceives its moral values slipping away, seeks to establish canons of value through legal enactment and to constrain all members of society to follow them. The law has thus extended its domain to become an instrument of ethical behavior and social change.

The lawmaker and the moralist are alike actuated by a more or less ideal conception of what life should be and of what makes for order and progress in society.

Their conception may or may not bear much relationship to the actual conditions of living, but to the extent that it soars far away from those conditions it forfeits both its credibility and its social force. And when the lawmaker and the moralist, having thus divorced themselves from reality, assume a command role, they find that their conception, however beautiful, is unattainable except through the application of force. Narrow is the line that separates the dogmatist who argues that what is is unequivocally right and the dogmatist who insists that what is is unequivocally *not* right — between him who insists that the state can do no right and him who insists that the state can do no wrong.

Self-Executing Legislation

The only effective legislation is self-executing. This truism is as applicable to the moral as to human law. When it is ignored or violated, the law itself ceases to be a force making for order, and it yields place to a politicized society which operates in accordance with prejudice and whim and which exerts moral force only because it possesses physical power. Those, then, who would impose sumptuary restrictions upon human conduct are dissolving the concept of law into an instrument

of social control and social order. They are thus creating insoluble problems of enforcement.

"Moral populism," to use H.L.A. Hart's phrase, "is a necessary cohesive factor in any society as implying a hard-core moral consensus. It becomes a threat to that society when it undertakes to use law to enforce that consensus and thus impose itself forcibly upon the minority."² This is one of the things which government must not be allowed to do. Much of the student unrest today is directed against the excessive intrusion of the law into areas where it has no business to be.

The law as such will not and cannot be expected to produce that voluntary restraint which alone will develop a moral citizenry, a citizenry dedicated to that better way envisioned by the moralists. "Virtue," as Malcolm Muggeridge has observed, "should be implicit rather than explicit." It should be "revealed in living" rather than in laws.

Wards of Society

The law, therefore, must not concern itself with victimless crimes. Society must not hold an individual accountable for actions which do not harm anyone but

himself. Restrictions on the highway speed of motor vehicles are imposed, it may be assumed, not for the purpose of preventing drivers from injuring themselves or from destroying their property interest in their vehicles, but rather exclusively for the purpose of preventing drivers from committing physical injury to others and causing an increase in insurance rates. To argue the contrary is to hold that society is entitled to assure the function and to claim the product of every individual in society as of interest to it and that society will be prejudiced by his loss.

If government bases its action upon such a claim, namely, the functional usefulness of human life and the corresponding obligation of society to protect the physical integrity of the person, then does not society possess the corollary obligation to enhance the social utility of the individual even against his will, that is, to promote a state-defined virtue? Under this proposition the state can resort to almost any method of dealing with individuals on the plea of the good of the state, thus opening up the way broadly for completely paternalistic government. It would then be obliged, for example, to judge attempted suicide to be as heinous as murder, and the person who only half succeeds

² H. L. A. Hart, *Law, Liberty and Morality* (Stanford, California: Stanford University Press, 1963), p. 79.

in a suicide attempt should be punished after recovering.

Legislative enactment cannot successfully rebut the daily legislation of the people. In this context, as Dr. Margaret Mead has pointed out, the legal prohibitions against the use of marijuana are doing greater damage than the harmful effects on those who use marijuana. The broader the ambit of the law, the greater is the danger of building a society of force. Ironically, therefore, the stronger the attempt to create a system of reason, the greater is the danger of creating a system that indulges in arbitrary action and responds only to impulse. In the attempt to impose sumptuary regulations we come dangerously near to championing the proposition that coercion must be used to maintain the moral status quo and to eliminate deviations from it. But we must face the consequent fact that the act of thus freezing a moral system at a given moment in time will arrest even those processes of social changes which are judged wholesome by the mass of society. Surely an indisputable prerequisite to the maintenance of a civilized society is to maintain optimum conditions for the fullest possible realization of the idea of liberty in human experience.

The traffic in drugs which have been proved dangerous to human

life ought to be prohibited, for when the "pusher" peddles his wares he is harming others — his customers. But the mere use of such drugs or the fact of an individual's being in a place where such drugs are being used by others should by no means be punishable. These acts must be regarded as individual rights which are beyond the concern and business of the law. If an individual or a group of consenting adults find pleasure in sitting around and using drugs, which all the evidence shows will harm them, their action should be no concern of the law, however flagrantly it may flaunt public morality.

In short, narcotic and hallucinogenic drugs present a serious challenge to the moral forces in society; but they must not be allowed to become a major preoccupation of the law. Punitive laws ought to be designed to curb only the patently antisocial actions of the almost infinitesimally small minority of the members of any society who, if not curbed, will destroy that society. When they go beyond that limit and undertake to define other human actions as misdemeanors, felonies, and crimes, they stimulate in the heart of every man the desire to commit the very offenses which they purport to prohibit. 

Freedom FOR INTELLECTUAL PROGRESS

SUE PICK

SOME DEFENDERS of socialism will concede the fact that free enterprise is the most efficient economic system for the bringing of "material prosperity." Perhaps they will even admit that inflation, the booms and depressions of the trade cycle, and mass unemployment are caused by governmental interference in the free market and that these problems would be greatly lessened, if not completely abolished, under a free market system. A man of these opinions will usually say something like this:

"Of course free enterprise does have its advantages. I will even go so far as to say that for the average man it is ideal. But what about the intellectual and intel-

lectual progress?" Here he pauses. This is often considered to be sufficient argument against an unhampered market economy.

He thinks that aiming for a high standard of living is incompatible with intellectual progress. The implication is that, in a society where profit is made by those who satisfy the wants of consumers, the intellectual will be crushed and intellectual progress will be halted.

The underlying argument is that most people have vulgar tastes in art and literature; so the work of a great poet, novelist, or artist will not be in demand; therefore, valuable creative work will vanish.

I cannot argue against him by protesting that people do not have vulgar tastes and that if Shakespeare were alive today the majority of people would rush out and buy his works, hence enabling him to survive. This is mere conjecture and he could just as well deny the truth of my supposition.

I do not wish to claim that in a free enterprise system the genius will have an easy time and have no problems. My argument is only that in such a system he, and intellectual progress in general, will be incomparably better off than in a socialist system.

The first thing to be made clear is that in a state where the gov-

Mrs. Pick, a young Australian free-lance author, currently shares with her husband a working holiday in London.

ernment, instead of the consumer, is in control of the media of communication, a creator of any sort, regardless of the standard of his work, will not be allowed to publish anything that is out of line with current government policy. This fact is, I think, so well known by supporters of free enterprise that I will not enlarge further upon it.

The Intellectual Under Socialism

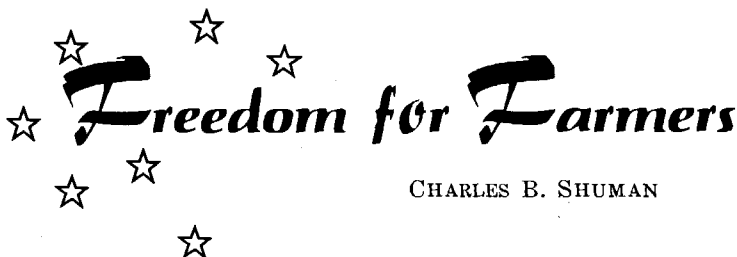
Now, my opponent believes that an intellectual cannot thrive in a society which aims at securing a high standard of living. So, let's examine two possible situations in which a creator would find himself under socialism in order to show why a free enterprise system is essential for the promotion of this creator and, through him, the continuation of intellectual progress.

The first situation has him paid by the government to produce, allowing him to make a living independent of the "vulgar tastes of the masses." But, as mentioned above, he would be little more than a tool of current governmental opinion and would not be permitted to have any will of his own. In a situation like this, if it were allowed to continue, the present beliefs of the government would be perpetuated and progress would cease.

The second situation finds the

creative person not officially recognized by the state but required to make his living independent of his creative work. His society has a low standard of living. He has to work long hours merely to survive. He has very little spare time for creative work. He may create something of value but could probably create much more if his society had a high standard of living and an absence of government interference in what is published. In a free enterprise system, even if his creative work brought him no money during his lifetime, he would still have far more leisure time in which to produce it. His job would bring him richer financial returns and potential savings. Such savings might enable him to quit his job, if he so desired, for periods of intensive creative work, and perhaps let him publish his work if no one else were willing to do so. In addition, he has the chance of earning money from the sale of his work or from grants made to him by interested people.

A free enterprise system is not only the most productive for those who live under it, but also essential for the intellectual enrichment of society. In view of the massive body of socialistic propaganda to the contrary, the need for demonstrating the intellectual advantages of free enterprise can scarcely be overemphasized.

The title "Freedom for Farmers" is written in a large, bold, stylized serif font. The word "Freedom" is in a regular weight, while "for" is in a smaller, lighter weight, and "Farmers" is in a bold weight. The title is surrounded by ten five-pointed stars of varying sizes, arranged in a circular pattern around the text.

Freedom for Farmers

CHARLES B. SHUMAN

WE ARE A NATION of frustrated people. The liberals are bitter because their socialist schemes have not produced the results they expected. The intended beneficiaries are unhappy because the promised utopia did not materialize. Black people were promised immediate equality and prosperity. The aged were given increases in social security payments only to find that inflation gobbled up the gains. Union labor was given everything it asked for but the cost of living skyrocketed and some unions have priced their members' services out of the market. Farmers who produce grain and cotton were given price supports and payments but found that these "benefits" were offset by depressed market prices

and reduced sales. The poverty program failed to reduce poverty, and socialized medicine for the elderly is a miserable and costly failure. In a desperate effort to make these schemes work the liberal politicians have voted vast increases in power for the Federal government. The excuse was that only the Federal government could provide enough money and move with sufficient speed to break down the barriers that were slowing social and economic reform.

The most recent "national emergency" to be treated to the massive infusion of Federal funds cure is hunger and malnutrition. The White House conference on food, nutrition, and health which was held last week in Washington resulted in new proposals for huge appropriations, and low income is an important factor. The organizer of the conference estimated that

Mr. Shuman has served for the past fifteen years as President of the American Farm Bureau Federation. This article is from his address on December 8, 1969, at the fiftieth annual meeting of the AFBF.

there are 30 million hungry people in America but that hunger could be eliminated within three years by appropriating three to five billion dollars per year for food payments out of the Federal treasury.

While there may be 30 million undernourished people in the United States, there are other causes. Much of this so-called hunger is the result of ignorance of proper nutrition, prejudice about food, or unwise dieting practices, and it cannot be cured by food stamps or other spending programs. Like all of its predecessor national emergency programs, the hunger program will probably result in a huge new Federal bureaucracy busily soliciting clients to put on the free food list. Many people will be encouraged to reduce their efforts to help themselves and thus become eligible for food stamps. The "hunger" situation may actually worsen rather than improve.

Much of the frustration and unhappiness which has exploded into present-day demonstrations and protests are a direct result of the disappointment of those who expected more than could be delivered by government, and in reality found themselves worse off because of the inflation which destroyed their purchasing power. In difficult times like these it is natural to look for a scapegoat,

but I believe that all of us — businessmen, farmers, workers, and professional people — have become obsessed with the notion that we can legislate prosperity for ourselves and — therefore, we must all take the major responsibility for the present trouble. Like Pogo, "We has found the enemy and he is us."

Schemes That Failed

If anyone in America has an excuse to be frustrated and bitter, it would be farmers and ranchers. For 40 years, the Congress has experimented with many different schemes to manage production, prices, and marketing of farm products. Almost without exception these schemes have failed, only to be replaced with some new concoction. Even now, the House Agriculture Committee is floundering around trying to find some way to patch up and extend the decrepit and costly Food and Agriculture Act of 1965.

The objective of this legislation was to reduce production and increase prices of feed grain, wheat, and cotton. It has failed in both objectives. The acreage of wheat and feed grains has been cut sharply in the last two years, yet total production has continued to move upwards. Acreage allotments of wheat were cut 13 per cent in 1968 and another 13 per cent in 1969,

but the carryover stocks have continued to pile up and the 1.9 billion bushels on hand October 1 is the largest October stocks since 1963. Corn and grain sorghum acreage was cut 2 per cent in 1969, but the tonnage harvested was 2 per cent more than the 1968 crop — the carryover is up for the third straight year and now totals 50.2 million tons. The price of wheat fell to the lowest level in 27 years.

The effect of the Act of 1965 on cotton producers is even more discouraging. Despite a government check-off for research, advertising, and promotion, cotton farmers are rapidly losing their market to synthetics — sales are down 5,000 bales per day in two years. Extension of the Act of 1965 could result in completely destroying the cotton industry in the United States. This is overpowering evidence, especially when this sorry record is contrasted with the uncontrolled, unsubsidized, but booming livestock business.

It is obvious that when farmers turned to government, first in 1929 and more definitely in 1933, they took a turn in the wrong direction. Fortunately, Farm Bureau members recognized the mistake several years ago and, almost single-handedly, have prevented the spread of government management to all of agricultural production and marketing. Only about 40

per cent of agricultural production is under government farm programs. Most of the sickness in our industry is in this segment that is government controlled and priced. While Farm Bureau has succeeded in its efforts to block the extension of supply management to livestock, dairy, poultry, and fruits and vegetables, we have not yet succeeded in restoring the government crops to the market place, although most farmers now know that they cannot share equitably in prosperity until this change is made.

"Everyone Else Doing it"

The wrong turn we took in agriculture 40 years ago was motivated by the same needs and desires that have caused other citizens to turn to government for special privileges, subsidies, and protectionist devices. In fact, many farmers have justified their acceptance of controls, subsidies, and price supports with the excuse that "everyone else is doing it." This might be a plausible argument if it could be demonstrated that the government programs have actually benefited farmers. The opposite is true.

Government farm programs have stimulated excess production and have been used to hold farm prices at low levels. One of the major causes of excessive produc-

tion is the requirement that the support price be announced before the crop is planted. When farmers know the price before planting, they are encouraged to spend more money on fertilizer and other production inputs than they would if the price was uncertain. This one feature of the Food and Agriculture Act of 1965 is probably responsible for much of the increased production that has more than offset the acreage cuts. Yet the cries go up from those who are hooked on payments or who have jobs or warehouses to protect, "It is better than nothing." This is not the alternative, but even if it were, I would challenge this assumption.

While the support prices implemented by Commodity Credit Corporation purchases have at times acted as a floor under the market, they have also acted as a ceiling, and prevented price gains when the supply was short or the demand high. Very seldom have the prices of the government crops risen above the support level. In fact, political management of marketing under the Food and Agriculture Act of 1965 has often depressed prices both in years of abundant production and when the crop was short. When a large crop is in prospect, those in charge of Commodity Credit Corporation marketing tend to panic because

they know that it is a political liability to have large quantities of grain piling up in government storage. Under these conditions the domestic market is already overburdened and it is necessary to unload the excess supplies on the world market. During the past summer we have seen a dramatic demonstration of government financed price cutting in the world market for wheat.

International Wheat Agreement

The International Grain Trade Convention (wheat agreement) is an international treaty which was approved by the Senate of the United States in 1968 and which attempted to establish the world price for wheat somewhat above the market price. The ink had hardly dried on the signatures on this treaty before several nations were attempting to find ways to move their huge crops by cutting the price. First one country, then another, including the United States, made sales considerably under the agreed on price. Since the losses incurred in this international price-cutting war were paid by the taxpayers of these wheat producing countries, the cuts in price were far greater than if the losses had come out of the pockets of the individuals who were making the sales.

The international wheat agree-

ment has cost wheat farmers many millions of dollars and should be suspended immediately. If the other nations party to the agreement will not agree to a suspension, the United States should announce that it will not be bound by the terms of this now discredited scrap of paper.

It may seem strange but a similar downward pressure on markets is exerted by the Commodity Credit Corporation in a short crop year. Government supply managers also tend to panic in a short crop season especially if the housewives begin to picket the retail stores to complain about high retail food prices. The farmers and ranchers of America were given a painful demonstration of this panic about three years ago when Secretary of Agriculture Orville Freeman dumped hundreds of millions of bushels of grain on the market to hold feed prices down in an effort to stimulate livestock feeding. During recent months the Commodity Credit Corporation has been moving substantial quantities of wheat into the feed grain market.

When Congress passed the Food and Agriculture Act of 1965, it included provision for making direct payments to farmers. This action in itself was an admission that the net effect of government-managed production, pricing, and

marketing was to reduce the prices to farmers. These direct payments have only been a partial offset to the market price losses sustained under this legislation. Approximately 23 per cent of net farm income is now represented by these payments and cotton farmers look to these payments for about 40 per cent of their gross receipts from cotton lint.

Further Payments No Help in Getting "Unhooked"

Causing farmers to be dependent on Congressional appropriations for so much of their income is a sorry state of affairs and one which cannot be continued if there is to be a good future for farmers. Consumers and taxpayers look upon these payments in the same light as they look upon welfare payments to the poverty stricken. This means that limitations on the amount paid to any one producer will be imposed and eventually Agricultural Stabilization and Conservation "case workers" will supervise the spending of these "welfare" checks. Many farmers are hooked on payments because the price in the market has been depressed to such a low level that their only hope of covering production expenses is to add the payments to the market price. However, the solution is not to continue payments. The only sensible

approach is to find a way to get unhooked.

Getting unhooked from farm programs will be a costly operation because the distortions and imagined advantages of the programs have been capitalized into land values and machinery.

Three Steps to De-Control

There are three essentials that must be adhered to in any program to change directions. First, the unsuccessful attempts to control production by government allotments and quotas must be terminated. Acreage controls have been worse than useless — they have actually stimulated surplus production. Second, price supports have acted as a ceiling to prevent price increases and must be phased out or keyed to market prices if farmers are to share in the prosperity of our competitive enterprise economy. Third, welfare-type direct payments in lieu of competitive prices must be phased out.

Making the transition from the present program to a market price agriculture should not be too difficult once the Congress has agreed on the objective of phasing out government supply management in agriculture.

The temptation for farmers to seek an "easy" way to develop market power remains, even

though Federal control of production and pricing have proven unsuccessful. Those who would "let the government do it" favor nationwide marketing orders, Federal marketing boards, or other government supervised and managed marketing and bargaining. Government has a proper and important role in the marketing system; however this role is not to supervise marketing or to participate in the price-making process. Government should act as a referee to establish rules and to protect consumers against conspiracies to set price, or other monopolistic practices.

Experience in other countries with government marketing boards and other devices to control the marketing of farm products have proven to be ineffective and unsatisfactory from the farmers' standpoint. Here again, political appointees who administer the programs must please the majority of voters — the 95 per cent who are consumers. It is inevitable that any government price management will result in holding prices down to please this big consumer majority. The egg marketing board in the United Kingdom was recently abandoned because it had stimulated surplus production, depressed prices, reduced the quality, and increased the retail cost of eggs. If the labor-socialist government of

the United Kingdom, which is dedicated to a managed economy, cannot control the egg market, who can say that our government can manage the marketing of any agricultural commodity successfully?

Congress Must Control Spending

Nineteen seventy will perhaps be one of the most crucial election years in history. The nation is in need of a change in direction. That change can come if the new Congress is willing to accept its responsibility to control Federal spending. Government, fiscal, and monetary policies must be stabilized and the budget brought into balance. Irresponsibility in high public office invites the same attitude by the people. Much of the bitterness and frustration which is evidenced in the demonstrations and riots is in part a by-product of government fiscal irresponsibility. Extravagant promises of instant prosperity and total security could not be fulfilled, and so the disillusioned protested.

Much of the present discontent probably should be charged up to the rapidly escalating inflation which is boosting prices and destroying the value of savings. Inflation is caused by huge government spending programs to satisfy the demands of the citizens for ever-increasing government benefits — the “something for nothing”

idea. The costly war in Vietnam has generated inflation but so too have the multi-billion-dollar domestic spending programs, such as urban renewal, poverty, and farm subsidies.

Centuries ago, Pericles said: “Happiness is freedom and freedom is courage.” In our search for the good life we have been concentrating on material comforts while neglecting more fundamental values. True happiness cannot be purchased, it cannot be found in material comforts alone.

Undoubtedly, much of the current turmoil is the result of the frustration experienced by many people when they find that money and things have not brought happiness. It is also probable that increasing restrictions on individual freedom are being felt but not always identified. Ever higher property taxes, sales taxes, income taxes, and surtaxes are required to pay for planned society schemes, and this reduces the individual's freedom to spend his income.

Furthermore, the welfare state breeds countless rules and regulations as thousands of new laws are passed each year. Big government and individual freedom are not compatible.

Money, luxury goods, leisure time, security from the cradle to the grave — all these are valued by

many people but they alone do not bring happiness. What we need in America is a big dose of courage: courage to take a position on controversial issues; courage to reject compromise between good and evil; courage to take a stand on moral issues; courage to refuse to be "bought" by government payments or private bribes; courage to accept risk as the price for opportunity.

***Produce for the Market,
Not for Government Storage***

Up to now, this has been a rather doleful recital of the sad state of affairs in the United States generally, and particularly in agriculture. If we stopped here in our analysis, the conclusion could be drawn that the future is bleak, but I am optimistic. I believe that the next few years will bring a change in direction, a change in the attitude of people

toward government and new hope for farmers as they seek to produce for consumer markets rather than government storage.

The time for a change is long past due. It is time to rid the United States of welfare state policies and philosophies. Time to return government to its proper role of providing a healthy economic climate for private enterprise rather than attempting to guarantee security from the cradle to the grave. Time to recognize the failure of the wild spending "new economics" theories and to re-establish government fiscal responsibility by balancing the budget. Time to abandon government policies that force farm families to depend upon welfare type subsidy payments for their income. Time to re-establish a free market agriculture with income derived from profits. Time to restore proper respect for law and order.



Look to the Individual

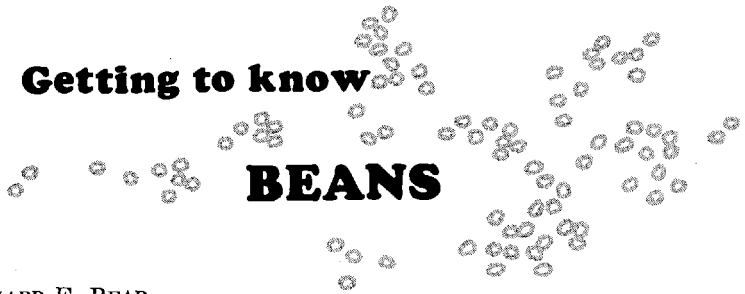
THE RENEWAL OF CIVILIZATION has nothing to do with movements which bear the character of experiences of the crowd; these are never anything but reactions to external happenings. But civilization can only revive when there shall come into being in a number of individuals a new tone of mind independent of the one prevalent among the crowd and in opposition to it, a tone of mind which will gradually win influence over the collective one, and in the end determine its character. It is only an ethical movement which can rescue us from the slough of barbarism, and the ethical comes into existence only in individuals. . . .

ALBERT SCHWEITZER, *The Decay and the Restoration of Civilization*

IDEAS ON



LIBERTY



Getting to know

BEANS

LEONARD E. READ

IF WE KNEW BEANS — and I mean this literally — we would know that labor is a commodity. My dictionary states that a commodity is “any useful thing; anything bought and sold; any article of commerce.” This definition would seem to be acceptable to any economist.

Listen to a distinguished businessman who puts himself on the side of the overwhelming majority:

The concept of labor as a “commodity” is so outmoded that we don’t even talk about it today.¹

Granted, this concept is outmoded. Further, it is against the law: “The labor of a human being is not a commodity or article of commerce.”² But it’s not the first

time men have thought the truth had been outmoded. When a truth is out of style, or at odds with legislation, that’s precisely when we should be thinking, writing, talking about it — especially when the confusion is as costly as in this case.

The widespread impression that labor is not a commodity results in enormous economic mischief. If labor is not a commodity, then the argument seems to be that its price (wage) ought not to be determined by competitive forces of supply and demand in an open market. In other words, those who argue that labor is not a commodity would in effect deny the laborer access to the market — would compel him to find some other way to get what he wants from others.

Historically, that other way was

¹ Ira Mosher, President, National Association of Manufacturers, 1949.

² The Clayton Anti-Trust Act, 1914.

for many laborers to serve as somebody's slave — after having lost a war and being taken captive. The serfdom of the Middle Ages marked little if any improvement in these people's condition. Not until the Industrial Revolution made it profitable for employers to compete to hire people to use tools was there much chance to live better lives. Capital and competition freed slaves to sell their services to the highest bidder in the open market.

The modern argument that labor is not a commodity generally implies that we who work for a living would fare better under compulsory unionism than in the voluntarism of the market. But this is only another form of warfare and slavery, and not a path to progress. This way — price and exchange control — is at the intellectual level of mirror smashing. It keeps others from seeing what we have to offer and us from seeing what they have to offer in exchange. So, let's be done with the notion that labor is not a commodity.

Different Meanings

What lies at the root of such widespread confusion? Quite simple: Most people use one dictionary definition of labor only: "Laborers, operatives, and artisans as a body or class" — in a word, hu-

man beings. This figure of speech is useful for political purposes.

The definition an economist must use is quite different: "The product or result of labor or work" — in a word, the *productive effort* of human beings. Interestingly enough, this definition has after it, *archaic*.

A laborer, be he the janitor or the president of the company, is a human being and not a commodity. No argument! But the labor or work of any human being, regardless of occupational status, is a commodity. About this there should be no argument among those who respect the dignity of every man, and would have him free to buy and sell in the open market.

We quite properly regard a bag of beans as a commodity. But what is a bag of beans, really? It is exclusively a manifestation of numerous forms of labor applied to the good earth, that is, it is a product of varying types of human energy. Except for Creation's endowments — natural resources — in which man has had no hand, the bag of beans is labor and nothing else.

From an economist's viewpoint, the dictionary misleads in still another way; it describes labor as "physical or mental toil; bodily or intellectual exertion, esp. when fatiguing, painful, or irksome, or

unavoidable" — in a word, menial or servile effort. Were this correct, we would be forced to measure the value of labor by the amount of perspiration or degree of tiredness — an absurdity! We are all tool users. In today's world, there is a mop or hoe or plow or truck or jumbo jet to augment labor. These are all tools — capital. The captain of a jet no less labors than does a carpenter or a plumber. It is economic nonsense to categorize as labor some lower form of human exertion, to draw a line between "the working man" and an inventor, for instance. Both are working men and oftentimes the latter labors and creates more than the former. It would be just as wrong to define labor as exclusively a higher form of exertion — the insights of Leonardo da Vinci, for instance. Quality or quantity of exertion has nothing whatsoever to do with what is or is not labor: labor is human effort, whether the exertion be muscular, mental, or spiritual.

In the case of a bag of beans, there's the labor of men who till the soil, the labor of those who skinned the hides that went into harnesses, of those who grew and ginned the cotton that made the bags, of those who mined and refined the ore that made the plow and other implements — an endless profusion of kinds of labor rang-

ing from ideas laboriously refined, to the labor of saving capital, to the labor-saving but labor-produced machinery — trillions of labor bits in that bag of beans!

Labor-Saving Effort

The accumulation of capital helps to emphasize the varying kinds of labor or effort. What is the nature of this effort? It is abstention from spending all of one's income right now. For some, this is more difficult than pulling weeds; for others, it is the easiest thing they do. If the price we pay for capital — interest rates — were to be governed by how difficult it is for people to save, we would have to invent some electronic gadget, perhaps an "effortometer," comparable to measuring the value of labor by the amount of perspiration. Capital, in this sense, is a commodity and, as the bag of beans, has its origin in a form of labor or effort.

Nor can we say that the bag of beans is an end product of labor. There's a can of beans! Contemplate the labor in transport, of mining tin, and of all the labor that went into the canning factory — another profusion of labor bits, even to the kind of labor that goes into advertising and into the paper on which it is printed.

And the end is not yet. There are countless forms in which the

canned beans are prepared and presented for human consumption — the labor of cooks and of recipe creators and all the labor bits that go into the accompanying ingredients.

The dish set before the king is labor — and so is the dishwasher, whether manual or mechanical!

The Value Depends on Buyers in the Market

Everyone will agree that a bag of beans qualifies as a commodity: “a useful thing; anything bought and sold; any article of commerce.” But the bag of beans is only one of the myriad forms in which labor is manifested. Labor, thus, is a commodity precisely as is the bag of beans.

All except socialist planners will agree that a bag of beans should go to market and find its price at whatever level free and willing exchange dictates. But very few in today's world — even those who give lip service to free enterprise — will agree that a laborer's labor should find its price in this manner. And all because most people entertain the notion that labor is *not* a commodity. They personify labor as a cartoonist's figure in overalls, just as they personify capital as a top-hatted figure with dollar signs on his vest.

My labor, let us say, goes into raising beans. In this case, my

labor goes to market as a bag of beans, so let my labor find its price in the market. But suppose I choose, instead, to hire out to a grower of beans. Then my labor — no different from the former case — should not find its price in the same way as the bag of beans? By what quirk of reasoning can such a deduction be drawn? This is not a reasonable deduction but only a conclusion falsely arrived at. It doesn't make sense and no amount of labor can make sense of it.

Beans vary in quality. People will pay more for good beans than for poor beans. Beans also vary in quantity, that is, in supply. People will pay more or turn to other foods when beans are scarce and high-priced and will buy more when they are plentiful and low-priced. This is to say that people will use their judgment as to how much they will pay for labor going into beans. Can they be faulted for this? Of course not! Should you tire of beans, then you will pay absolutely nothing for such labor; and if every consumer were to feel the same, then labor manifesting itself in beans would receive nothing whatsoever. What's wrong with this? Nothing! For isn't the value of anything — labor as beans or labor as service — the amount that will be paid by buyers in willing exchange? To argue contrarily is to assert that what is of value to me — labor however it pre-

sents itself — is not a matter of self-determination. Shades of Marx!

Is Our Labor Needed?

The rebuttal, of course, is founded on the confusion of definitions, namely, that labor has needs whereas beans do not. True, regardless of the form our labor takes, we laborers have needs. But our labor, as one of the scarce factors of production in the economic sense, no more has needs than do the beans for they are one and the same. The only relevant question is this: *Is our labor needed?* If we are to gratify our needs as laborers, it's up to us to see that our labor is needed, whether manifested in beans or writing or waiting on table. The sole sense in which labor can be said to have needs is the need for constantly improving performance, that is, a need for a greater marketability and exchange value. As I increase the attractiveness of my performance, my personal needs as a laborer can be increasingly gratified. Further, only I, not you, can effect the improvement of my labor. So far as my labor is concerned, you alone may determine what you will offer in exchange for it — and that's the way it should be. I may accept your offer — or a better one — or none.

These confusions as to the na-

ture of labor lead to mischief when we institutionalize the confusions. Witness the countless political enactments that subsidize labor in employments free choice no longer demands — Federal Urban Renewal, for example — or the tactics of the National Labor Relations Board or the coercive practices of labor unions. Lamented one industrialist, "We are now buying time, not labor." The whole political pressure is away from the market — free choice — and in the direction of more money for less work and fewer hours. Instead of a concentration on the improvement of labor and its market attractiveness, the movement is toward monopoly, a forming of cartels. The cartel's message is: Accept us for as little as we choose to give and at our price; you have no alternative; the most important decision in economic affairs is to be made by us and not by management or even by consumers. Take us as we choose to be or close shop.

It is not necessary, however, to read my explanations to see the fallacies in the current "labor" movement. There isn't a single "pro-labor" member of Congress, a staff member of the NLRB, a labor union official, or one of their millions of members who really believes that a laborer should be paid more for his labor than a free and unfettered market has to of-

fer. Not if we test their beliefs by their actions rather than by their pronouncements!

Merely observe that every one of these individuals — as does each of the rest of us — shops around for bargains. He'll buy a can of beans from the store that offers it for 20 cents rather than from a store that offers the identical can for 30 cents. What do his actions prove? *He is attempting to buy labor as cheaply as he possibly can*, for that can of beans is but the manifestation of countless labor bits applied to the bounties of the good earth.

Were the actions of these people consistent with their pronouncements backed by coercion, they would buy the 30-cent can of beans; that is, they would insist on paying more for labor than the free market offers. Not until they engage in this foolish action will I believe

they mean what they say by their anti-market pronouncements.

It's human nature and common sense for every bidder to buy services as cheaply as he can. But this does not force wages down. Nor is it a reason why laborers should mistrust the market. The overall scarcity of labor as an economic resource, and the competitive bidding for that scarce and valuable resource, is the only way in the world for the laborer to obtain the full value for his services and fully enjoy the manifold blessings of freedom. But we must be done with the nonsense that labor isn't a commodity.

Getting to know beans is one way of restoring some economic sanity, of bringing to light a concept that has been too long outmoded.



The Most Hopeful Idea

I THINK the most hopeful idea in the department of economics is this: That it is possible for a man to make a lot of money without taking advantage of anyone else.

IDEAS ON



LIBERTY

This means that one man may get richer without making others poorer.

National prosperity is the inevitable companion of individual prosperity, provided only that the individual's prosperity is founded on production.

In this situation we have economic health and assurance of growth. No other system has ever been suggested which gives even a promise of comparable results. The present system works. It stimulates enterprise and distributes its benefits to all, including the unenterprising.

From *The William Feather Magazine*,
January, 1970

Some readers of THE FREEMAN may deem this article a bit elementary for their taste. It was especially written for the forthcoming Jefferson Encyclopedia and is reprinted here by permission of the World Publishing Company of Cleveland, Ohio. Obviously, it is intended for high school students and laymen rather than for specialists in economics.

Economics

HENRY HAZLITT

Henry Hazlitt is no layman in his field. The Failure of the "New Economics," his analysis of the Keynesian fallacies, is the work of a master. Yet, he is not one of the overspecialized specialists of our time. The ever popular Economics in One Lesson reveals his capacity to handle his subject in terms anyone can grasp.

Those of us who presume to specialize do well from time to time to back off and view our field broadly, as in this article, that we may better play our individual roles in the general scheme of things.

ECONOMICS is the science that studies how men make their living — how they provide for their material wants.

A Robinson Crusoe, alone on an island, would face a tremendous problem. He would have to find enough fresh water to slack his immediate thirst and then find enough to eat before, say, he could try to build himself some crude shelter. He would have to work to fill his most urgent need up to a certain point before he could try to fill his next most urgent need, and so on.

In a great society this problem, of each man trying to fill a hundred different needs and wants of different urgency, is solved by the division of labor. Each man devotes himself to making a single thing, or even to a single process in making that thing, and then ex-

changes the product of his labor for the products of other people's labor.

In a primitive society this exchange is made directly, by barter. In a modern community goods and services are first exchanged for money, and then the money in turn is exchanged for the particular quantities of other things that each man wants.

In origin, money was some commodity that was found to be more generally acceptable than any other, and later came to be wanted mainly as a medium of exchange for other things.

Historically, cattle, tobacco, copper, silver, and gold have served as money. Of these, gold came to be much the most widely used. Except for final payments between nations, however, even gold has now been largely displaced by currency notes, and by bank deposits that can be transferred by checks.

The division of labor, made possible by voluntary exchange, enormously increases the total of goods and services that a community can produce. Each man tends to devote himself to the thing that he can do best. He acquires a special skill, and uses special tools. Generally speaking, the more labor is divided the more productive it is.

In a free enterprise economy people also are constantly seeking to produce the things that yield

the highest profit above their cost of production. These are usually the things that are in shortest supply in comparison with the demand for them. But as the supply of these particular things is increased, and the need for more of them becomes less and less urgent, their price tends to fall, and there is less profit in producing them. By this process profits and wages in different lines tend to be more equalized, and the thousands of different goods and services tend to be produced in the proportions in which they are most wanted — in other words, in proportion to the comparative demand for them.

Parts of a Continuous Process

Men must work and produce goods and services in order to be able to enjoy and consume them. Yet they must have their health and strength and enough to eat in order to be able to produce. Production, distribution, and consumption are not, as is often supposed, three separate and independent processes, but inseparable parts of one continuous process.

Men early discovered that they could produce most of the things they wanted only with the help of tools. This meant that they first had to divert part of their time and energies to making such tools — axes, hammers, saws, scissors, needles, hoes, spades, wheels, and

thousands of more complicated implements. Then, still further, they had to divert part of their time and energies to making tools to make tools, and then to building the factories and developing the mines and smelters and other processes to obtain the metals to make the machines that make the tools to make tools.

The Importance of Capital

Economists divide goods into two main classes—consumption goods, which are those that directly meet the needs of the people, and capital goods, which are necessary to produce the consumption goods.

A solitary individual would have to divert part of his time to producing capital goods. But with the division of labor in a modern society some people devote themselves wholly to making consumption goods and others wholly to making production goods.

This is made possible, in turn, only by the process of saving and investment. Instead of spending all they earn on immediate consumption or current enjoyment, some people save part of their earnings to invest them, directly or indirectly, in the production of capital goods to increase production in the future. The money they save is lent at interest to producers who use it to pay the workers

who make the capital goods during the period required to make these goods and before they can be sold.

The greater the amount of saving and investment in a nation, the more and better the tools and other means of production that can be placed in the hands of workers. Therefore, the more productive the workers can be, the more they can be paid, and the better off the whole society can be.

Individuals are constantly deciding, by the amount of their saving and investment, how much of their income they will devote to immediate consumption and enjoyment, and how much they are willing to sacrifice of their present consumption and enjoyment in order to increase their future income and future consumption and enjoyment.

In recent years a great deal of emphasis has been placed on the need to increase the rate of "economic growth" of a nation—by which is meant the rate of increase of income and production. This rate of economic growth is directly dependent on the rate of saving and capital investment.

In recent times, also, there has been a constant increase in the number of processes of production, formerly performed by hand, that are taken over by machines. This is known as "automation." Ever

since this replacement of hand labor by machinery became widely noticeable (beginning as far back as the Industrial Revolution in the middle of the eighteenth century) there have been fears that machines destroy jobs. It is true that machines often destroy old jobs, and may render valueless skills that some workers may have taken a lifetime to acquire. But experience has shown that on net balance machines not only create as many jobs as they destroy, but that they usually create far more productive and better paid jobs than the ones they destroyed. In addition, by reducing costs of production, they enable the masses to afford goods and luxuries previously beyond their reach.

The Conditions of Freedom Versus Coercive Collectivism

A system by which everybody, subject to the competition of others, and guided by the conditions of supply and demand, is free to choose his line of work, or to produce and sell what he wishes, is variously known as a capitalist system, a profit-and-loss system, or a free-enterprise system. Such a system, of course, can be "free"

only within limits. It can operate only within a framework of laws which forbid violence, force, theft, and fraud, oblige men to live up to their agreements, and protect the right of private property.

The opposite of a free enterprise system is socialism. Under socialism it is not private individuals or companies but the government that owns the means of production and operates industry.

In practically no country of the world today do we find capitalism or socialism in a pure form. In many "capitalist" countries the government operates some industries—the postal service, telegraph and telephones, railroads and electric power, gas and water supply. In nearly all countries where private companies supply such "public utility" services they are subject to strict government regulation of their charges.

Today most governments attempt much more directly than in the past to relieve poverty and prevent widespread unemployment. And all governments now deeply influence the economy of their own country, for good or ill, by their spending, taxation, and monetary policies. 



William Jay Gaynor

LIBERTARIAN MAYOR
OF NEW YORK

TAMMANY HALL faced a crisis in 1909. The Democratic Club had sniffed the political winds and knew that reform was in the air. It was one of those times when the urge is to "throw the rascals out" so voters were unlikely to look with favor on another mayor who was a creature of Tammany. The best vote-getter would be a man not associated with any political organization but well-known for a record of honest public service. This would, of course, mean dry times for Tammany; but rather a temporary drought than a repudiation at the polls that might have permanent effects. Yes,

the best candidate would be one with a reputation for independence and incorruptibility. No political hack or Tammany puppet would do. And so it was that Judge William J. Gaynor received the Democratic nomination for Mayor of New York City.

William J. (baptized James but later changed to Jay) Gaynor was probably born in the village of Whitesboro, in central New York State, and evidence points to the correct date as being 1848, the year John Quincy Adams died. The two men had several things in common. Each was a man of integrity who somehow reached high office. Both were thin-skinned where politicians should be insen-

sitive, worked alone instead of within a party, and were abrupt, forthright, and final in their conclusions instead of compromising. Gaynor never said anything he did not mean and, more remarkable, he never meant anything he did not say. He was "one of those old-fashioned kind of men, who merely says in plain and peculiarly pungent and interesting English just what is in his mind and lets the consequences take care of themselves." He defended his private life from intrusions and demonstrated his scorn of "public relations" by his treatment of reporters and newspapers. Writing to the National Publicity Bureau, he said: "You ask me to give an interview saying, 'What would I say to the readers of 3,000 newspapers?' I would say to them to be very careful about believing all they see in the newspapers." Gaynor was a public figure with a "bent towards solitude, study, serenity, contemplation, everything he summed up in the word 'contentment.'" He liked a good fight, but feeling that the office should seek the man, he never thrust himself forward in pursuit of a place of honor and emolument.

Lawyer and Judge

Gaynor tried his hand at several things before settling on the legal profession where his keen

mind and boundless energy brought him great success as one of the busiest of Brooklyn lawyers. He proved himself not only a colorful personality but an enemy of corruption and oppression. In 1894 he became a New York Supreme Court justice. When he presided for the first time, in Brooklyn, "the courtroom was crowded with lawyers. The brisk pace he set caused a raising of eyebrows among the oldsters. Gaynor dispatched the business on hand with such promptitude that court was adjourned at noon. Prosy counsel never had a chance.

"Thereafter it became an almost daily exhibition of speediness, thoroughness, unerring perception of the issues at stake, and sure application of legal principles leavened with common sense.

"For Gaynor, law (though not necessarily the law) was codified common sense. With pettifoggers, wasters of time, and slovenly pleaders he had no patience, and when these irritated him sufficiently he could grow rude and even insulting. His temper was uncertain. He worked prodigiously, and expected everybody else to do so. He never adjourned court for mere convenience, and the quantity of work he got through was impressive, yet his decisions stood up on appeal better than those of any other Supreme Court judge."

But Gaynor for all his bullying of counsel and crustiness toward witnesses "kept one thing foremost in his mind — the interests of the litigant.

" 'It isn't the lawyer I see in court, it's the litigant behind him, pale with anxiety and eating up his substance in dragged-out legal expenses,' he wrote. 'It is for his sake that I use all my authority to compel a rapid determination of cases.'

"His preachment over and over again was:

" 'A trial is a search for the Truth. A lawsuit is not a game for sharp advantage.' "

After serving a fourteen-year term, Gaynor was re-elected in 1907 to a second term but he resigned in 1909 to run for mayor of New York City. He won the election and then four years later, having been dropped by Tammany Hall, he was nominated for a second term by an independent citizens' committee. He accepted the nomination on September 4 and on the following day sailed to England for a few weeks' vacation. On September 12, while still at sea, he died.

Not Without Flaws

What makes Gaynor worth remembering and knowing is not what he did, but what he was. Studying the man may just lead

us to reflect on the nature of government and its rightful role, the duty of public officials, and the responsibilities of private citizens. In an age when everything is becoming politicalized, such questions are especially worth pondering.

The temptation, when writing about Gaynor, is to dwell on his dynamic personality, his colorful speech and writing. He was an effective extemporaneous speaker and letter writer par excellence and never found it necessary to hire a "ghost." Such habits as walking the five miles from his home in Brooklyn to City Hall each day marked him as somebody distinctly different from the run-of-the-mill public official. Such practices as quoting from ancients like Marcus Aurelius, Epictetus, and Cato set him apart from the ordinary politician. But it is one thing to read about a strong character such as Gaynor, and quite another to have personal contact with him. Even those persons devoted to the man acknowledged him as irascible, unstable, and impatient. And he became even more so after being shot during his first year as mayor by a disgruntled ex-employee of the city.

During the rest of his term his health deteriorated and there was an aggravation and intensifying of certain flaws in his character.

He shut his mind to the fact that reality did not match his inner vision and he became even more sensitive to all criticisms of himself or his administration. And like all the rest of us, he was not always consistent. No, Gaynor was not a pleasant companion much of the time though with the right company he was a charming person and brilliant conversationalist. But as one newspaper declared, "We are aware of no provision in the constitution of the state or the charter of the city which asserts that the mayor of New York must be sweet-tempered and gentle and lovable. Mr. Gaynor is rather difficult to get along with at times and we are glad that we have no personal relations with him; but these infirmities do not greatly concern the public welfare."

"Ablest Man in Public Life"

The late Albert Jay Nock once remarked that William Jay Gaynor "impressed me as by far the ablest man in our public life." What an extraordinary man he was, said Nock. "No one in my time understood so well the function of a public servant under a republic." Gaynor was, in Nock's opinion, the last American, "the last, at any rate, in public life."

In 1912, the Superintendent of Public Instruction asked Gaynor for a message to be read to all the school-

children of New York on the Fourth of July. He got it. Not a scream from the eagle, not a word of fustian about the Founding Fathers, or about how grand and glorious our civilization is, how good and wise we all are, and above all, how rich. Instead, about 800 words of a magnificent exposition of what republican government really is, and what the people's responsibility for it is—sound, old-fashioned American doctrine, mostly in words of one syllable. It ended with this:

We must therefore be vigilant of every little approach to despotism, however little it may be. We must see to it that those whom we elect to office do not go outside of the laws, or set themselves up above the laws, and do as they please. It has always been the case throughout the world that the officials who did this did it on the plea that the laws were not good enough; that they could do better than the laws prescribed. Beware of all such officials. We do not want officials who have any lust of power. We want officials who are very careful about exercising power. We want officials who are careful to exercise no power except that given to them by the people by their laws. There is no more dangerous man in a free country, in a democracy, than an official who thinks he is better than the laws. The good man in office should be most careful not to set a bad example or precedent for his bad successor, who will come along sooner or later.

On the duty of public men Gaynor had this to say in a letter to a Philadelphia supporter:

Might I say to you that what we most need in this country now is for our public men and statesmen to discontinue loose talk, and speak with exactness on public questions, and without regard to what effect they may think the truth may have on their own future. To try to advance in the field of politics, and in the attainment of office, by loose or false statements, is despicable. What we need is that our public men, instead of loosely crying out all sorts of evils, should put their finger exactly on the thing, and define it, and hold it up and show it, so that everyone of average intelligence may see it and understand it. Those who are not willing to do this should hold their peace.

Unyielding Sense of Duty

What sets Gaynor apart from most other public officials? At the time of his death, why did the "poor people of the East Side (turn) out at break of dawn to go down to the City Hall where his body lay"? He certainly "never flattered them, never played up to them," said Nock. He never tried to buy votes with promises of something for nothing and he never catered to the demands of minority pressure groups. Perhaps, said Mortimer Smith, "there were not a few who sincerely regretted the passing of an intransi-

gent individualist, for the crowd sometimes covertly admires and envies the nonconformist." Or maybe Nock was right in answering that the poor people understood in their own way that Mayor Gaynor, as an enemy of all injustice, was their friend.

Gaynor's character and accomplishments were unique. His career as a lawyer, judge, and mayor, observed Smith, was "a long record of almost startling variation from type. Among political hacks, dandies, venal spoilsmen, and near morons who have served as Mayors of New York, he towers as a great unorthodox figure, a man of enormous but erratic ability, a vivid and sometimes frightening personality, and with an unyielding sense of public duty."

His seasoned, philosophical point of view was opposed to "the pragmatic sail-trimming and mere expediency of the average politician. He was a libertarian, the last thoroughgoing, primitive Jeffersonian in our public life." Like Jefferson he had "sworn eternal hostility against every form of tyranny over the mind of man" and in everything he said or did he showed devotion to the Jeffersonian dictum: "That government is best which governs least." He was, then, "the perfect nonpolitical type" who "abhorred pussy-

footing" and liked to "air his opinions, even when there was no necessity to do so — or, especially when there was no necessity. . . ."

Gaynor believed that government "was a convenient and necessary device for maintaining order and justice under law but should be little more." He maintained "that there are certain ills inherent in nature and associated living which cannot be cured but only endured, but that the worse ills are, in the words of William Graham Sumner, 'the complicated products of all the tinkering, meddling, and blundering of social doctors.'" He believed that "men have the best chance of happiness and effectiveness when they are allowed the widest possible areas in which to function without restraint. . . . He mistrusted large power and big government" and with Sumner felt that "when the state becomes too powerful, too mixed up in the affairs of its citizens, it becomes 'the best prize of base struggles, and the most powerful engine by which some men may exploit others.'"

Gaynor had little patience with the many reformers who were always pestering him to "do something" about the people whose behavior they frowned upon. But Gaynor objected to "adding to the multiplicity of laws" and to "putting additional power in the hands

of government. He was loath to give government the power of deciding whether a man could take a drink, read a book, play baseball on Sunday, see a play or moving-picture, or go to a prize fight."

Improvement a Slow Process

Mayor Gaynor believed the "principal duty of the police is to preserve the public peace, and keep outward order and decency." Lately Thomas writes about what Gaynor said to those who disagreed with him.

Directing his fire at those "societies, and private enthusiasts, for the 'suppression of vice,'" who urged the necessity of extralegal methods to combat crime and vice effectively, Gaynor advised that they "read history, and learn the supreme danger of trying to do all at once by the policeman's club what can be done at all only gradually by the slow moral development which comes principally from our schools and churches. . . ."

"The notion that the morals of the community can be reformed and made better, or that government can be purified and lifted up, instead of being debased and demoralized, by the policeman's club and axe, is so pernicious and dangerous in any government, let alone a free government, that no one can harbor it whose intellectuals are not, as Macaulay says, 'in that most unhappy of all states, that is to say, too much disordered for liberty, and not sufficiently disordered for Bedlam.'"

"It would be difficult to speak with forbearance of the strange pretense that the police could not enforce the law if they kept within the law themselves Crimes and vices are evils to the community; but it behooves a free people never to forget that they have more to fear from the growth of the one vice of arbitrary power in government than from all the other vices and crimes combined. It debases everybody, and brings in its train all of the vices."

Themes that Gaynor never ceased to emphasize during his years on the bench were the defense of personal liberty, and opposition to the ill-advised attempts of meddlesome reformers to remold social concepts and correct long-standing abuses by restrictive legislation and force. Again and again he preached:

"The law knows of no greater folly than the notion that the police are the custodians or conservers of the private morals of the community, or could be made such with any safety whatever, or with any possibility of uplifting morals instead of debasing them. The moral growth of a community depends on its churches, schools, and teachers, and the influence of a healthy and comfortable home life, and not on the police."

Nothing good or lasting can be accomplished in a hurry, he counseled over and over. In a speech before the New York Agricultural Society he would embody the fullest statement of his belief on this basic point:

"Some things that exist in the body politic which are wrong cannot be

abolished offhand; we have to move slowly, so that all we can do under such conditions which society has created is to lessen them by degrees, little by little, here a little and there a little, until we gradually climb down to the level we want to reach, and do no injury to anybody. Everything is of slow growth, my friends, in this world, that is good. . . . In all things, material, moral, political, economical, the rule is slow growth. We must do the best we can, and if we find a thing wrong, we must wait a long period of time to fix it."

This truth, of course, was unpalatable to those who were calling for social realignments and reforms *now*

Replacing Workers Who Quit

Gaynor's rule with regard to labor disputes was to maintain law and order but to practice strict neutrality between the opposing factions. This, of course, infuriated the employers who were accustomed to being treated with favoritism in their conflicts with employees. The exception to Gaynor's rule was when strikes were against the public welfare; this he refused to countenance and he consequently angered labor representatives. When, for instance, employees of the city threatened a ferry strike, Gaynor told them bluntly that if they did they would never work for the city again while he was Mayor. "Under civil

service rules," explains Lately Thomas, "insubordination was grounds for dismissal; and nobody doubted that Mayor Gaynor, unpledged and unbossed, with a lifetime reputation of meaning just what he said, would if necessary execute the law to the letter. There was no ferry strike."

When the drivers of ash and garbage wagons did walk off the job, Gaynor treated them as men who had quit their jobs. He instructed Commissioner Edwards to hire replacements and give them examinations that would meet civil service requirements. For a day or so garbage collection almost ceased and when the weather turned warm the health department warned of an imminent threat of disease. Gaynor held firm and to inquirers made his stand perfectly clear.

The city officials are not trying to "break" any "strike." The drivers of the ash and garbage wagons have quit their jobs and their places are being filled by others. They are not to be taken back. There is a great misunderstanding on this head. The commissioner could not take them back if he wanted to. He can employ such men only from the civil service list. When men in the city departments quit they are struck from the payroll and their employment by the city is at an end. Their places then have to be filled from the civil service lists. None of these men can ever be em-

ployed by the city again unless they undergo civil service examinations and get on the eligible list again. That the civil service board would ever permit them to get on the list again is not conceivable. None of them will get back.

Six days after the start of the walkout the movement collapsed, and the next day street cleaning operations were back at normal.

After the strike ended, pressure was brought on Gaynor to take the strikers back, but he gave them no satisfaction. To the wife of a striker he wrote: "Your husband quit work without any cause whatever and I can do nothing for him. He treated the city very shabbily." "The notion that one should not treat 'the city'—that is, the public, the entire community—shabbily," writes Thomas, "was novel then to some of its employees, and remains novel still."

The Importance of Economic Freedom

Unlike some who profess a fondness for political liberty, Mayor Gaynor understood the importance of economic freedom. The socialist scheme of placing all lands and instruments of production under the control of the state, said Gaynor, "would by doing away with the incentives to individual freedom greatly reduce production, and thereby increase poverty and distress. . . ." And elsewhere he

had noted that "the mother of excellence in the world is competition." He did not favor interfering with business, either in the way of passing statutes to curb it or to expand it "because the right principle is that the law should leave all business free, with no favor to anyone. . . ." Monopolies, he understood, "were the artificial creation of government itself, evils which had their origin 'in laws which we have passed instead of any failure to pass laws.' "

In our society today there are surely many men of integrity such as was William Jay Gaynor. Why do we so seldom find them in public office? We can answer this question in Gaynor's own words: "If the people of a city are generally ignorant, base, and corrupt," he said, "they will have that kind of government. . . . government like water does not rise higher than its source."

Gaynor was always his own

master, wrote Louis Heaton Pink. "No one — no politician, financier, or priest — ever controlled him. With all his faults and petty weaknesses he towered above his fellows. 'I have been Mayor' — for this posterity will remember him."

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Self-Service

IDEAS ON



LIBERTY

IF IT BE SELFISHNESS to work on the job one likes, because one likes it and for no other end, let us accept the odium. I had rather live forever in a company of Don Quixotes, than among a set of angels professing to be solely moved to the betterment of one another. A community of creatures engaged primarily in serving one another, except for the joy of meddling in one another's business, appears, to me at least, so dreary and so empty, that I would have no part or parcel in their pallid enterprises. Let us then, if one insist on candor, *do our jobs for ourselves*; we are in no danger of dis-serving the State.

JUDGE LEARNED HAND, *The Spirit of Liberty*



The Draft

in PRINCIPLE and PRACTICE



PAUL L. POIROT

CONSCRIPTION for military service often is discussed as though it were the only or at least the major instance in which the compulsory power of government is directed against peaceful citizens. Scarcely a second thought in that direction is given to some 45,000,000 youngsters drafted annually for school attendance in the United States. And who ever bothers to count the millions of taxpayers drafted for terms ranging from one to nine months of every year in the war against poverty or to help maintain the supply lines for invasion of the moon?

The foregoing listing is illustrative rather than exhaustive. The typical American citizen is, in effect, drafted for five months of each year to serve the various

purposes of governments at all levels. In other words, that is the proportion of his earnings taken in taxes. In principle and in reality, the draft is a form of taxation.

To acknowledge reality is not necessarily to approve. One may object to a particular war, or to the way it was declared or fought — may indeed object to war altogether. But that is not the same thing as objecting to the principle of the draft. When the Mayor of Metropole wants American troops out of Vietnam so that the resources otherwise used there can be diverted to various welfare programs for the citizens of Metropole, the Mayor is advocating rather than opposing the principle of the draft. He simply wants to be the one to disburse the resources drafted.

Whether the youth of America are better protected and prepared for life by the waging of war in Vietnam or by the construction and staffing of a Center for African Studies at National University may involve a difference of opinion. But there is no difference in principle between drafting men and materials for the one purpose rather than the other. Both projects rely upon the coercive power of government to accomplish the objectives of some persons, at least partly — if not primarily — at the

expense of others who do not approve. In principle and in reality, government is a process of taxation, a form of the draft — compelling individuals to conform to the will of the ruling body.

What Are the Rules?

The great question confronting the people of America in 1970 — and it's the same major question man always has pondered — is not who should rule and who should be ruled. The question is this: *What are the rules?* How far do we trust one another, trust ourselves, each to act of his own volition? Where do we draw the line, with penalties and punishment of those who trespass? For what purposes will we tax and draft one another instead of leaving each to achieve his own purposes as best he can in open competition with other peaceful persons? In the final analysis, the question is whether men will live by the rules of peace or submit to the rules of war.

The distinction between peace and war seems to have become blurred in our time. From time immemorial, the first rule of war has been that "might makes right." But in the latter half of the twentieth century, the United States finds itself fighting foreign wars without a will to win. And what strange outbursts of vio-

lence we see at home in the name of peace! "Peace" suddenly seems to cover any form of human action antagonistic to governmental law and order, as though there were no acceptable rules of peace.

Men ought to know by now the first rule of peace: "I'll respect your life." And its corollary: "I'll respect your property." Those are the rules essential to peaceful production and trade and the growth and development of civilization. Such rules are voluntary in the sense that they stem from the individual with enough self-respect to control himself in his actions toward others. But none of us is perfect; and those who accept this fact are inclined to look to government to help enforce the basic rules of self-control if individuals or groups forget or neglect to follow those rules.

So, the difference between war and peace does not hinge upon the presence or the absence of government. Law and order is as much a part of the one condition as of the other. Whether one believes in a maxi-government or in a mini-government is the sort of ideological difference that begins to get at the distinction between war and peace. If one accepts the rule that "might makes right," he'll see no logical limits to the things the government can do for him by coercing others. But if he

respects the dignity of the individual and believes in private ownership and control of property, then he may understand why governmental force ought to be limited to defending the lives and property of peaceful persons.

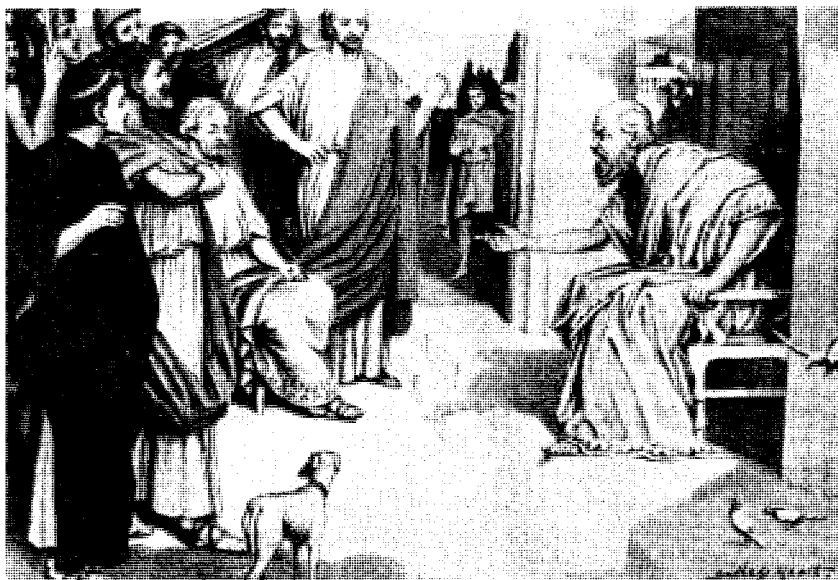
The government that prevails among imperfect men will inevitably be a compromise that probably does not correspond to the ideal of any one of them. But it will be what individuals of their caliber deserve. And the only effective way to improve upon the prevailing government is to elevate the characters of the individuals comprising the society. Those who believe in maxi-government will expect the government to reform the characters of other persons. Those who believe in mini-government will understand that self-improvement is the only method consistent with their objective.

So long as the advocates of maxi-government predominate, as in our own society, we may expect such manifestations as interminable foreign wars and all sorts of domestic wars on poverty, population, pornography, profit, prudence, pride, and other "deadly sins." And fully consistent with the rules of war is the drafting of manpower and other resources to conduct these campaigns of coercion.

If we would effectively rid ourselves of the consequences of government intervention, such as burdensome inflation and taxation and the draft, then we first must rid ourselves of the habit of running to the government for aid every time a personal problem arises or we feel an urge to reform society or want to be "charitable" with other people's property.

If we seriously propose to stop drafting 19-year-olds to see the world through the peep-sight of a rifle, we first must reconsider the practices of drafting 5-year-olds into operation "Head Start" and compelling every wage-earner to contribute toward the livelihood of retirees. Even if he wanted to, the policeman we hire to plunder others cannot very well serve at the same time to protect the lives and property of peaceful persons.

Except as we individually and voluntarily resolve to respect the lives and the property of others, there is little chance of our having a government that will not draft us to conduct wars. We first must understand and observe the rules of peace if we want to be rid of the draft. This is strictly a do-it-yourself project. Until it succeeds, there is little prospect of mustering the political majority needed to repeal the draft laws. When it succeeds, the draft laws will be dead letters anyway. 



(Bettmann Archive)

Socrates addressing the Athenians

It Began with THE GREEKS

GEORGE CHARLES ROCHE III

WESTERN MAN'S search for an understanding of himself and of his universe began with the Greeks in the sense that they gave the greatest impetus to the classical search for man's identity.

To the Greeks, the word philosophy meant "world view." This "world view," unlike our modern definition of philosophy, had a very broad meaning and included scientific study. It is in the area of what we would call science that the Greeks first excelled. Thales, a Greek who lived six hundred years before Christ, devoted himself to this scientific portion of the "world view," and is generally regarded as the "Father of Philosophy." He was the first in a long line of inquiring minds, including, among others, Pythagoras, Heraclitus, Anaxagoras, Democritus, and the famous Hippocrates, the "Father of Medicine," in whose name today's medical men still pledge their skills.

Ancient knowledge of the physical universe was so slight by our standards as to be almost meaningless. Yet these pioneers are important to us, not for what they knew, but for their curiosity toward what they didn't know. They epitomized the "inquiring mind"

and operated on the principle that man *can* learn about his universe. Perhaps the best term to describe these early Greeks would be "the physical philosophers."

If these Greeks were doing a little original thinking about their "world view" in the scientific realm, they also had time to do some very original thinking in political matters. They conceived the idea of the *polis*, the Greek city-state. In fact, our words "political" and "politics" have their origin in this Greek idea. Many of the words by which Western man has done his political thinking were originally used by the Greeks. They tried a variety of forms: monarchy, oligarchy, tyranny, democracy, aristocracy. They fared best under direct democracy — a system by which informed and concerned individuals took the responsibility of meeting to discuss the problems faced by the city-state and how to resolve them. In their political forms, as in their scientific thinking, the Greeks placed a high priority upon the *informed, responsible individual*.

In artistic endeavor, the Greeks were also turning out some highly original thinking. The epic poetry of Homer in the *Iliad* and the *Odyssey* is filled with beautiful language and exciting adventure and concerns man's perpetual problems concerning the *who?*

Dr. Roche is a member of the staff of FEE. This article is reprinted by permission from his *Legacy of Freedom* (Arlington House, 1969). The book also is available from the Foundation for Economic Education, Irvington-on-Hudson, N. Y. \$6.00.

what? where? and why? of human experience. The Greeks also gave us the drama. While they pioneered in this new art form, in the tragedies of Aeschylus, Sophocles, and Euripides, and the comedies of Aristophanes, they also probed deeply into those perpetual problems of man.

In all these endeavors, the Greeks would have been the last to say they had final answers. But at least they pointed the way for Western civilization, emphasizing the need to look beneath the surface of everyday human experience if man wishes to learn and grow.

In addition to their scientific, political, and literary efforts, early Greek contributions in art and architecture also laid a substantial base for the building of Western civilization. By about 500 B.C., the Greek city-states, with Athens leading the way, had built well upon two basic principles: responsible, informed individualism, and the inquiring mind. But like any number of other societies both before and after them, their faith in their own ideals seemed to weaken as they grew more prosperous. After a series of wars, first with the Persians and then among the Greeks themselves, the concepts of the individual and the inquiring mind came to be viewed even by the Athenians as a "threat

to the safety of the state." A Socrates who thought for himself was now viewed as undermining the youth of the city-state.

Let There Be Light

The rest of the story is quickly told. A young prince in nearby Macedonia had been tutored by Aristotle and believed that his mission was to carry the Greek message to the world. This young prince, Alexander the Great, like many "message carriers" since, thought that the method for getting this message across was to conquer the world with his army. Starting with the Greek city-states, he did just that. At least, he conquered the then-known world around the eastern end of the Mediterranean and even marched his armies as far as India.

Like most "conquerors," Alexander agreed with the people who called him Great. He saw himself as a patron of the arts, and was especially interested in philosophy. The story is told that while traveling with his entourage, Alexander was confronted by one of his ministers who rushed up to him to announce breathlessly, "Sire, Sire, just beyond the next hill is the greatest philosopher in all your realms!" Alexander himself hurried over the hill to discover Diogenes, lying on his back on a grassy knoll and sunning himself

while he contemplated some philosophical puzzle or another.

"I am Alexander the Great, master of the world," the young ruler announced. Alexander continued, "I am also patron of the arts and can give you anything you wish. . . . You have merely to state your desire."

Now that was a generous offer, and Diogenes didn't respond immediately. But when he did his answer was right to the point. "Please move, Sire, you are standing between me and the sun." At least one of those individualistic Greeks with an inquiring mind was still around, and one may hope that Alexander got the idea. After all, the Greek philosophy he admired so much was based on the very antithesis of the political patronage he was offering. And there is no record that Diogenes was executed as "an enemy of the people."

The empire of Alexander soon crumbled, as do most programs based on coercion. But Alexander's interest in Greek thought and culture did spread those ideas throughout the Mediterranean area. The Greeks were finished as leaders in their city-states; Hellenic culture was gone. But in its place, Hellenistic culture, culture based on Greek ideas, yet espoused by others than the Greeks themselves, arose to pass along the

best of those ideas to the next generations of Western civilization.

Theoretical and Practical

The most important part of this Greek contribution lies not in the scientific, artistic, or political forms of the Greeks, but in the Greek view of man and his meaning, in the Greek assumption that man's past, present, and future posed problems worthy of an inquiring mind. Yet for all that penetrating analysis, the Greeks were a practical people and usually managed a sense of humor. Thales, the "Father of Philosophy," a man who knew enough astronomy to predict successfully an eclipse in 585 B.C., often has had the story told at his expense that once he gazed so intently into the heavens while out for a walk that he fell into a well. But he was a long way from being either an absent-minded professor or an impractical man. One year he noted that the next olive crop promised to be a large one, so he picked up options on all the olive presses on the Isle of Lesbos. Thales cornered the market and made a handsome profit when the inevitable rush for olive oil came at the end of the season, thus demonstrating that even philosophers can make a living.

A similar story is told of a

friend of Socrates who was bankrupted by one of the wars leading to the decline of the great city-states. He not only was broke, but he had fourteen female relatives on his hands. The Greek polis was no welfare state. It was far too individualistic for that. So Aristarchus, Socrates' friend, was bemoaning his fate when the practical philosopher suggested that there would always be demand for clothes and that Aristarchus should buy wool and put the women to work spinning and making garments. He did so, and soon everyone was making a nice living, including the fourteen female relatives. But Aristarchus quickly developed another problem . . . now the women were accusing him of living in idleness while they worked! He returned to Socrates for a bit more advice. What he got is both a demonstration of Greek practicality and a suggestion that the entrepreneurial function is a very old idea indeed. Socrates advised, "Tell them of the story of the sheep who complained that the watchdog did nothing."

These stories of Thales and Socrates are not mere entertainment. They also demonstrate that the Greeks were extremely practical people who did their thinking with a hardheaded sense of reality. Often the men who are most

genuinely practical also prove to be those most willing to search for answers beneath the surface of events. Because of that Greek belief that the individual *can* discover such answers, and because some Greeks made the attempt to do so, the largest of the Hellenic contributions to Western civilization lies in the analysis of man and his purpose, in the determination of right and wrong, and the relationship of that right and wrong to human nature and human institutions.

Ethical Considerations

The problem of right and wrong in human concerns began to play a dominant role in Greek thought in the fifth century before Christ. Such studies centered not on the physical universe, but on man's relationship to man, that is, upon *ethical* considerations.

At that time in Athens there arose a group of teachers who advertised themselves as capable of teaching the science of improved personal relations between the individual and his associates. This new group of teachers tended to emphasize ways of persuading one's neighbor to a different viewpoint. For example, courses were offered in how to plead one's case before a jury. This early emphasis on "How to Win Friends and Influence People," was offered to

the public by a group of men who came to be known as Sophists (men of wisdom).

Many Greeks did not approve of this approach to teaching. As a number of them, Socrates included, pointed out, these teachers seemed not to be searching after truth, but only looking for immediate results. What standard could remain for truth if all things were judged only by how well they work? Socrates must have been persuasive in criticizing the Sophists for their failure to make truth their guide; because even today, after twenty-five hundred years, the word "sophistry" suggests not only fallacious reasoning, but dishonest reasoning as well.

The Sophists and Relativity

Actually the Sophists varied widely among themselves. Some were only what today would be called speech teachers, while others went far beyond the mere teaching of technique to insist that the usefulness of any doctrine was the only reliable guideline, since no possibility existed of the establishment of absolute truth. Some Sophists carried their viewpoint to an attack upon the state, while others tried to uphold the existing political format. In the *Republic*, Plato sarcastically describes the Sophists, Protagoras

and Prodicus, who, he said, felt they had "only to whisper to their contemporaries: 'You will never be able to manage either your own house or your own State until you appoint us to be your Ministers of Education'—and this ingenious device of theirs has such an effect in making men love them that their companions all but carry them about on their shoulders." Yet other Sophists were what we would call anarchists, men who thought law was based on fraud and "put over" on the people through the misleading tenets of religion.

Protagoras, perhaps the most outstanding of the Sophists, asserted that he was the wisest man in the world and insisted that anyone who came to him as a student could develop the same skills. As a sort of money-back guarantee, Protagoras even promised that any student who studied under him was guaranteed to win his first trial in court or his tuition would be refunded. It was Protagoras who first said that "man is the measure of all things," which in effect made the definition of reality relative to each man's view of that reality. This reduced truth to the level of opinion and denied objective reality.

Gorgias, another of the most distinguished Sophists, carried these relative standards to the

definition of virtue, thus developing the theory of moral relativism. Such definitions of reality, truth, and virtue contain within them a number of implications: "... an individual's perceptions and judgments are relative; universal truth valid for all men is denied, each man being the sole judge of what seems so, and therefore true to him; there is no authority higher than man to weigh and decide between conflicting opinions; and since man is constantly changing his mind, truth is not only a matter of the individual, but of the individual at that moment."¹ The standards adopted by the Sophists sound quite familiar to our modern ear. In fact, similar statements confront us every day from our communications media, our schools, and even our pulpits.

The Mind of Man

While the Sophists directed their attention to analyzing the feelings and impulses which they saw governing the decisions made by individual men, and therefore saw no purpose or guiding direction to man's activities except that in accordance with the necessity of nature, Socrates recognized that man's importance rested not upon that physical side of his nature, but upon his insight, an insight into his own

nature and that of his universe that provided an objective standard for the estimation of men and their actions. Socrates thus resisted the current of his age in an effort to discover a standard of truth and a definition of reality that gave man a greater dignity than the Sophists' view of human nature permitted. The short, bandy-legged, ugly man whom the Greeks knew as Socrates possessed the sort of character perfectly capable of standing against the spirit of an age. His principal biographers, Plato and Xenophon, dwell at great length on his amazing powers of physical endurance and the excellence of his record as a fighting man. Not the least of the demonstrations of his physical vigor was that, at the time of his death at the age of seventy, Socrates left two small children, one a babe in arms. A man of extreme simplicity in his habits of eating and drinking, and yet with a reputation for being able to drink heavily with no apparent effects, Socrates wore the same simple clothing winter and summer and habitually went barefoot, even in the midst of a winter campaign.

Socrates was beloved as a teacher rather than as a man of affairs. He wrote no treatises, taught in no classroom; his only classroom was the street in

Athens, where he would stop a citizen and start a conversation. What we today call the Socratic method, the process of question and answer, is at once the best and the most difficult of all teaching methods. Only a man of exceptional intellectual capacity, and, more important, with a highly developed moral sense, could have successfully used such a method. Once one of his students admitted at the end of a Socratic dialogue, "I cannot refute you, Socrates."

Socrates replied, "Ah, no! Say rather . . . that you cannot refute the truth, for Socrates is easily refuted."

Yet, that truth was sometimes hard to discover, as Socrates would have been the first to admit. Once when a young man was introduced to Socrates as being a student of brilliant promise, the old teacher said that he felt sure the young man must have thought a great deal. The boy answered, "Oh, no — not that, but at least I have wondered a great deal."

"Ah, that shows the lover of wisdom," Socrates said, "for wisdom begins in wonder."

Search for Objective Truth

For Socrates, and ultimately for Western man, wisdom did indeed begin in wonder. The knowledge of the truth is only revealed to those who are first willing to ad-

mit its existence and begin to ponder its content. As Socrates, and after him, Plato and Aristotle, pointed out, the person who believes that all truth is subjective and is a matter only of opinion, must finally concede to one who believes that truth is an objective reality. If Protagoras or another relativist insisted that one man's opinion was equally valid with another's opinion, then he could not deny the validity of the opinion of a Socrates that such a thing as objective truth exists. Socrates thus began with the assumption that truth is a matter of objective reality, and that it is error which is subjective and relative, since it exists only in the mind of the individual person. The means by which such error was to be avoided was to come to a knowledge of the truth. That which is true is that which is good; thus knowledge equals virtue in the Socratic equation. What was the source of this knowledge? Ultimately, self-knowledge was most valuable since knowledge of the truth, and therefore knowledge of virtue, only had meaning when practiced through the self-control of the individual. Thus the Socratic injunction, "Know thyself."

Socrates never committed anything to paper, and what we know of him is based primarily on the reports of his principal student,

Plato. Plato used Socrates and his dialogues as a literary device to convey the philosophy of Plato himself, as well as the ideas of his teacher. Thus, it is impossible to say precisely which ideas belong to each. Yet, the direction which Socrates was pointing is clear. Since he believed that goodness and truth were basic realities and that only lack of knowledge would cause man to pursue anything but truth and virtue, he spent his life attempting to open his own eyes and the eyes of those about him to the realization that a knowledge of virtue and truth was man's only road to happiness. He preached no dogma and insisted upon no fixed set of beliefs, saying simply, "Although my mind is far from wise, some of those who come to me make astonishing progress. They discover for themselves, not from me — and yet I am an instrument in the hands of God."² Man's happiness was to be found deep in the heart of the individual as he came to understand his own nature and to strive to live in accordance with the best of that nature. Here, five hundred years before Christ, much of the idea of self-transcendence was already beginning to take shape in the mind and heart of Socrates.

Though Socrates never pretended to erect a philosophic system, his thinking was consistently

directed toward an ethical frame of reference. He deeply felt the need for a fixed system of truth to provide a framework within which man made his decisions.

***The Need for a Higher Goal
if the Individual Is to Improve***

"Know thyself." Some very vital ideas are contained within that simple advice. If man is indeed capable of knowing himself, such self-knowledge would demand the most rigorous rationality. True knowledge could scarcely be taught, but could only be understood by each man through his own efforts. Man's intelligence alone is capable of the creation of abstract ideas. Thus man's rationality allows him to perceive his spiritual personality and allows an understanding, a self-knowledge, attainable by no other being within the natural order.

Even long before Socrates, the Greeks had come to understand nature as a never-ending process of birth and growth, what they called *Dynamis*, a maturation and discovery of the treasures written deep within the nature of mankind. It was Socrates' contribution to recognize that such development toward a higher goal could only be achieved by man if that higher goal were fixed, and not dependent upon man's nature in itself.

The Greeks at their best had emphasized the individual and the inquiring mind. Socrates' special addition to these concepts was the idea of a fixed right and wrong, giving order and purpose to the cosmos and pointing the way toward man's discovery of what that order and purpose might be.

Socrates never developed a complete philosophy. Throughout his long life he perceived the concept of absolute good, searching his own inner experience and that of others for proof that such absolute good existed. He admitted late in life that he had not found the answer that he was seeking. Yet he, more than any other, pointed the way for later fruitful consideration of the possibility of man's self-knowledge and for the development of man's higher side in accord with fixed moral principles.

An Idea Takes Root

Socrates was not the only teacher of his time to insist that fixed standards of right and wrong existed independently of man. Within one hundred years of Socrates' lifetime, Buddha, Confucius, and Zoroaster, each in his own respective civilization of India, China, and Persia, had also insisted that man could prosper only in terms of a fixed code of conduct. Thus, even though life in

some form had existed on this earth for over a billion years and human life for over a million years, it was only within the past twenty-five hundred years, in man's most recent moment of existence, that the human mind had begun to look about it and consider its nature, its origins, and its future. Even then, most of this thinking seemed to be occurring in the minds of a very few men indeed. It is the period of time marked by the beginning of their thinking, roughly 600 B.C. to 400 B.C., that may properly be spoken of as the beginning of Western civilization, since the civilizing influence of these ideas became effective as it was channeled through the Western experience.

Despite the fact that the first great outburst of energy devoted to the study of the nature and purpose of man occurred about twenty-five hundred years ago, we should not forget that some such moral sense, however poorly understood and enunciated, had actually been in existence for five thousand years. As long before the time of Socrates as Socrates' own time is before our days, Egyptian scribes were recording advice to rulers and heads of families concerning the moral obligations of right conduct which these men of responsibility owed to those about them. Man had long realized, or

at least suspected, the existence of some such moral code.

Still, the great outburst of energy occurring almost simultaneously in China, India, Persia, and Greece pointed the way toward Western civilization and toward man's first systematic thoughts in terms of an underlying cosmic cause which gave meaning to all existence. Buddha's attempts at Nirvana (the total emancipation from the material life), Zoroaster's preaching of the never-ending struggle of good and evil and light and darkness in this life, and Confucius' insistence upon the ethics of personal self-control leading to righteousness and wisdom as man's source of happiness, all were beginning to make the ethical assumptions which presupposed a higher order of meaning than a merely material universe.

The battle of definition between mind and spirit, the definition which had to be worked out to distinguish man from the animal world and to enable him to know the truth which would give him his place in the universe, was beginning. In St. Paul's later assertion that the things which are seen are temporal and the things which are not seen are eternal, we can sense what difficulty the early moral thinker had in his attempts to define the realm of the mind and the spirit.

The Hebrew Influence

Another primary influence upon the developing ethical system that was to serve as the basis of Western civilization was the developing world view of the Hebrew people. With the Hebrews, for the first time history became more than mere chronology. God, a fixed ethical system of right and wrong, and a discussion of man's failures to measure up to such a system, together with an accounting of the high price which man paid for such failings, were all elements of Jewish history as it developed. The Old Testament is at once the history of man's tribulations in this life and the promise of his redemption from those tribulations. In fact, it was the opinion of the brilliant nineteenth-century historian of liberty, Lord Acton, that the Jews in their federation and in their strictly limited view of political power, were giving the world an early demonstration of the achievement of human liberty by placing man under Divine authority, rather than human authority.³ Another student of liberty, Henry Grady Weaver, saw in the history of the Jews the evolution of a moral code. Weaver makes clear that this moral code was a demonstration of man's striving after a higher reality in line with his spiritual nature.⁴

Yet, all of man's earlier striv-

ing for the first several thousand years, as exemplified by the Egyptian attempts, by all of the moral teachings in the work of Confucius, Buddha, and Zoroaster, by all of the moral framework and the development of the idea of a human history as produced by the Hebrews, only achieved their focus and direction and formulation when developed by the Greeks and subsequent Western man. Thus Western civilization is the heir to a tradition that extends far back in human history and encapsules the best of these early strivings to pass them on toward modern man.

***Man Builds upon Tradition
toward a Higher Understanding***

Other Greeks than Socrates were concerning themselves with the same problem. The plays of Euripides demonstrated that a natural moral order exists. Again and again, as, for example, in *The Trojan Women*, Euripides made clear that an act of injustice or impiety carried within itself the seeds of destruction that would inevitably bear bitter fruit with the passage of time. In *Works and Days*, Hesiod also presupposed a moral order in the universe, a code of conduct to which all men were subject even when they attempted to violate it.

Yet it is Socrates who was the

true spokesman for the first positive statement of such a program. He, more than any other, was most emphatic that the individual man could achieve his own salvation. If Buddha wished for the annihilation of material life, Socrates was willing to enjoy its blessings. If Confucius would have had men guide their conduct only by tradition, Socrates thought that man could evolve toward a *higher understanding* building upon such a tradition. If the Hebrews had insisted that man could not grasp truth unless that truth were given him by God, Socrates insisted that man's striving of spirit and intelligence was also the means whereby man might come to improve his comprehension of that truth. Thus the whole problem of ethics, as a problem with which man could work, was first clearly presented as a field of human endeavor by Socrates.

For all the originality of Socrates' contribution, we should not forget the impact of the unique Greek matrix from which he grew. It was the Greeks who first influenced the Western world in its course, destined to be so uniquely different from the Eastern world. Consider the change wrought by the Greeks as described by Edith Hamilton: "The ancient world, insofar as we can reconstruct it, bears everywhere the same stamp.

In Egypt, in Crete, in Mesopotamia, wherever we can read bits of the story, we find the same conditions: a despot enthroned, whose whims and passions are the determining factor in the state; a wretched, subjugated populace; a great priestly organization to which is handed over the domain of the intellect. This is what we know as the Oriental states today. It has persisted down from the ancient world through thousands of years, never changing in any essential. . . . This state and this spirit were alien to the Greeks. None of the great civilizations that preceded them and surrounded them served as model. With them something completely new came into the world. They were the first Westerners; the spirit of the West, the modern spirit, is a Greek discovery and the place of the Greeks is in the modern world."²

The earlier moral teachers had turned away from the world. Buddha, Confucius, and Zoroaster, while offering much of sound moral value, largely believed that such value could be achieved by turning from this life. It was the Greeks who began the valuable idea implicit in Western civilization which emphasizes the place of the individual and the importance of a fixed moral order *without* neglecting this life and this world.

Greek Decline

Why did the Greeks ultimately decline? What happened to a people with such faith in the individual, with such a desire to learn and grow, with such tremendous creative capacity in every phase of human endeavor? The answer lies, it appears, in evils which have led a number of other civilizations, Rome included, down the road to dusty death: war, centralization, decline of old values and honorable traditions, and unwillingness to allow the free play of the individual. Each of these tragic causes and effects is readily apparent in the history of Greece as it declined.

Most of the accomplishments of what we call "The Greeks" were really the accomplishments of the citizens of one particular city-state, Athens. One of the neighbors of Athens, Sparta, in fact pioneered in all the repressions of the individual with which we associate the modern totalitarian state. The young Spartan was trained from birth to maintain an obligation to the power of the state and to ignore or destroy everything which did not serve that obligation. All creativity, all dignity, all human aspiration, had purpose only as it served Sparta. As Plutarch described the citizens, "In Sparta, the citizens' way of life was fixed. In general, they

had neither the will nor the ability to lead a private life. They were like a community of bees, clinging together around the leader and in an ecstasy of enthusiasm and selfless ambition belonging wholly to the country."

Of course, it was not this Spartan society that produced the creativity and the divine spark of human dignity which we sense in ancient Greece. Athenian democracy was the home of that human progress. In Athens the state took no responsibility for the individual and the Athenian thought of himself as one of a union of individuals free to develop his own powers and pursue his own life. This freedom was to be limited by self-control. And in that freedom and self-discipline, the heights of Athenian creativity and dignity were reached. But when the Athenians were no longer willing to exercise that self-discipline in their political affairs or in their personal lives, Greece declined. As Thucydides tells us, "The cause of all these evils was the desire for power which greed and ambition inspire." Thus the Greeks ultimately failed through their inability to discover *why* and, ultimately, *how*, political power should be limited.

The Athenians were the only people of antiquity who grew great through the exercise of

democratic institutions. But when those democratic institutions came to be corrupted, and when the people of Athens no longer recognized any limitation to their power except their own appetite, "no force that existed could restrain them; and they resolved that no duties should restrain them. . . . In this way the emancipated people of Athens became a tyrant. . . . They ruined their city by attempting to conduct war by debate in the market place. Like the French Republic, they put their unsuccessful commanders to death. They treated their dependencies with such injustice that they lost their maritime Empire. They plundered the rich until the rich conspired with the public enemy, and they crowned their guilt by the martyrdom of Socrates."³

Suicidal Democracy

Thus an excess of democracy proved to be the death of democracy. Once the desire to rule, or any other human appetite, becomes so strong that it accepts no restraint, and once it begins to insist that man is the measure of all things and that no standard of right and wrong should limit the exercise of his power, the way is paved for the decline of faith in the individual, the destruction of creativity, and the reign of coercion.

As Greece lost her way politically due to a collapse in the standards of her morality, the same declining standard of morality also wrought havoc with the standards of Greek society. Traditional Greek morality had been based on the cardinal virtues of justice, wisdom, self-restraint, and courage. The doctrine of self-discipline in conformity with a higher moral law was an accepted standard. The rise of relativism in the Fifth Century B.C. that produced the Sophists turned the old standards topsy-turvy. Why talk of justice or virtue if we no longer know what these qualities mean? Standards began to decline. And if Greek creativity and individual genius began to decline as well, that was due to "environment" or "the system," never to the individual's departure from a high moral standard. If these arguments have a peculiarly modern ring to our ears, we might remember that if the Greeks pointed the way for us when they were right, it would seem perfectly natural that they could also point the way for us when we are wrong.

The patriarchal family was the vehicle for the creation and preservation of many of the ideas which have formed our civilization. Honor, modesty, wisdom, and justice, all on the level of personal responsibility, were always re-

flected through the agency of the family. As belief in the individual and belief in a standard of morality waned among the Greeks, it naturally brought a decline to the family, representing as it did the very values that the new spirit of the age had set out to destroy.

As the life ebbed from the institutions and values that for a moment had made Greece great in the full flower of her creative genius, the individual human dignity which had been protected by those institutions and by a fixed moral code declined as well until the Greek citizen was both rootless and defenseless. Without standards, without a moral guide, without the ability either to create or to stand firm against adversity, the Greek now found his sole satisfaction in the exercise of his unlimited political power. That he destroyed Athens through the exercise of that political power should not be surprising.

Socrates Chose Truth

As Greek society declined around him, Socrates chose to stand firm in defense of the principles and attitudes to which he had devoted his life. Perhaps he understood the idea that Ralph Waldo Emerson was to phrase twenty-four hundred years later: "God offers to everyone his choice between truth and repose. Take which you please—

you can never have both." Socrates chose truth.

To a society which had come to recognize coercion and absolutely unlimited political power as the final arbiter of all matters, Socrates' insistence on principle was anathema. He was tried and sentenced to death. Even at that moment, the serenity that comes to a man when he senses the truth and knows that he does, came to Socrates. To those who had just condemned him to death, he responded, "Be of good cheer and know of a certainty that no evil can happen to a good man either in life or after death. I see clearly that the time has come when it is better for me to die, and my accusers have done me no harm. Still, they did not mean to do me good — and for this I may gently blame them. And now we go our ways, you to live and I to die. Which is better, God only knows."²

Socrates did go on to die, in one of the most moving death scenes recorded in literature. To the end he maintained that good and truth did exist and that man could move toward an understanding of that good and that truth

by an increased realization of the potentiality of his mind and spirit.

The name and ideas of Socrates come to us as a hallowed part of the tradition of Western man. The petty politicians, who destroyed a man whom they could not coerce, perished in their own time. Thus ended an early round in Western man's struggle to understand himself and his universe and, in the process, to free his soul.

SUGGESTED ADDITIONAL READINGS:

¹ Helmut Schoeck and James Wiggins (Editors), *Relativism and the Study of Man*, D. Van Nostrand Company, Inc., 1961. This collection of scholarly essays examines the pitfalls of modern relativism, especially in those areas where that relativism has distorted the "social sciences."

² Edith Hamilton, *The Greek Way*, W. W. Norton & Co., Inc., 1930. An excellent treatment of the contribution of Greek civilization to the Western world.

³ Lord Acton, *Essays on Freedom and Power*, The Free Press, 1948. A thoughtful analysis by a distinguished nineteenth-century historian which examines the concepts of freedom throughout history, especially the history of the Western world.

⁴ Henry Grady Weaver, *The Main-spring of Human Progress*, The Foundation for Economic Education, Inc., 1953. A helpful introduction to many of the ideas which have made Western civilization so uniquely successful.



Don't be a LONESOME LIBERTARIAN



ROBERT G. BEARCE

THOSE OF US who have read George Orwell's 1984 appreciate the striking parallel between this exposé of absolute authoritarianism and the present regimented society in Red China where the tactics of propaganda and brainwashing are far advanced. Thought control over the Chinese people approaches the absolute.

Mao Tse-tung and his writings are as sacred to the Chinese as the Koran is to the devout Moslem. The Chinese read Mao, love Mao, think Mao, and sleep Mao. Mao is Big Brother. Mao is life itself! Any wayward Chinese citizen who neglects his allegiance to Brother Mao is subject to personal sacrifice to Mao, or to the possible alternative of public repentance, allowing the Doubting Thomas or slothful Chinese to publicly reprimand himself. For instance, if he has not been diligent in praising

Mao, he is given the involuntary opportunity to express openly his deeply felt shame in failing Big Brother. This self-castigation is quite the vogue now in Red China. Although it is an example of authoritarianism in its most brutal form, I suggest we free men might practice it once in a while—voluntarily, of course.

And I'll be the first to do so. You see, I have a public confession to make. I used to harbor antilibertarian views and thoughts.

Unwittingly, I've practiced slander and dishonor against freedom. Indeed, I'm not at all certain that I've wholly rid myself of this blasphemy. At least I know my weak point and hope to cleanse myself of all insults to freedom—mainly, that of intolerance. My hope is that this personal testimony will also light the spark of repentance in my fellow citizens.

Search yourself and see if there isn't a little bit of the hypocrite

Mr. Bearce is a free lance writer in Humble, Texas.

in you. Or what is worse, are you inwardly defiled by intolerance?

I'm convinced that intolerance is one of the deadly pitfalls of those who advocate freedom. In our zeal to strengthen freedom and inspire others to love liberty as we do, we often become down-right belligerent. I've had to learn this the painful way, but I know that you can't forcefully proselytize or evangelize people to believe in freedom.

Men are free beings with the ability to think, reason, choose, and reject. If we truly recognize that men are free beings, we will understand that we cannot force the refreshing truth of freedom upon our fellow man. Such fervent evangelism often causes in others deaf ears and closed minds. It is a personal discovery that gives dearness to a truth. Perhaps Goethe was thinking of this when he stated: "What you have inherited from your fathers, earn over again for yourselves, or it will not be yours."

Among my pen pals is a young man three or four years my junior. Quite frankly, his socio-political beliefs are antagonistic to mine. He believes that socialism is the last hope of the world. He curses the capitalistic system as being the root of all his woes. Now, this fellow leaves himself wide open for an avalanche of

freedom literature and lengthy letters setting him straight.

Correspondence between us continues, but I limit myself merely to clarifying my own thoughts rather than attempting to convert him. We seldom agree on the free market and the role of government, and the only visible progress toward mutual understanding is that we both watch *Mission Impossible*.

Some of his beliefs are quite nauseating to me. They approach heresy. Yet, I continue corresponding, hoping somehow to plant a seed of inquiry that will eventually flower into understanding the truth of freedom.

Another of my pen pals is a young woman who claims to be an atheist. Here I face a real dilemma. I must be tolerant, yet belief in God seems to me a necessity for the preservation of freedom.

The urge throbs within me to inundate her with all manner of pamphlets, books, and arguments. This urge, if followed, would probably lose a pen pal. Nor would it help prove to her that God exists. Coercion, however well-intended, simply doesn't work that way. Pursue these rude tactics of persuasion, and you'll find you are a lonesome libertarian.

My friend respects my feelings and I respect hers. And I hope to

be on hand if and when God should wish to ignite the spark of belief in her.

One of my pastimes is reading American history, and one of my heroes is Thomas Jefferson. He was a liberal in the most honored sense of the word, and he recognized the importance of tolerance in a free society:

Of liberty then I would say that, in the whole plenitude of its extent it is unobstructed action according to our will, but rightful liberty is unobstructed action according to our will within limits drawn around us by the equal rights of others —

If there be any among us who wish to dissolve this union, or to change its republican form, let them stand undisturbed as monuments of the safety with which error of opinion may be tolerated where reason is left to combat it.

Justice Oliver Wendell Holmes stated the case for tolerance in even more definite terms:

If there is any principle of the *Constitution* that more imperatively calls for attachment than any other it is the principle of free thought — not free thought for those who agree with us but freedom for the thought that we hate.

Personally, I believe that freedom in America is being weakened. I consider myself an optimist, but I see blatant threats to freedom from government en-

croachments and from violent mobs who are inviting a brutal repression that will destroy freedom for them and me, too.

I feel an obligation to *do* something for the preservation of freedom. I read, study, and philosophize on the subject and prepare myself for the time I might be called upon to defend liberty with word or pen. But I need to be reminded constantly that a rude, pugnacious enthusiasm will only lose potential defenders of freedom.

I have no great fondness for writing letters, but write letters I do — letters for freedom. The personal, sincere letter can succeed where an emotional, vocal argument will antagonize.

I find letters-to-the-editor an excellent outlet for my passion to defend freedom. Readers respond, too. Phone calls, letters, and comments from my friends. In reply to my letters-to-the-editor, I have received but two adverse criticisms. I credit this low number of angry rebukes not to apathy but to the fact that I avoid being vindictive or “pushy.” In all that I write, I strive for tolerance and gentlemanly conduct. All that is required of any of us is understanding, humility, honesty, sincerity, and tolerance. Practice these daily and you won’t be a lonesome libertarian. ☸

The Laws of Freedom

HERBERT J. DENTON, JR.

MANNED FLIGHT to the moon has brought a rash of statements to the effect, "If we have the knowledge and money to go to the moon, we should also be able to solve man's problems on earth." It would seem that we have not yet mastered the laws and principles applicable to earthly economic and social conditions.

The universe is subject to certain natural laws. In the classic sense, scientists discover these natural laws, and engineers apply them to make items man can use. They are said to be natural laws because one can depend on specific results under given conditions. If air is heated in a confined space, its pressure will increase. Sound travels at a certain rate through air, and under the same conditions will travel at the same rate day

after day. Otherwise, one would have little use for the horn on his car. Today it would work fine, but tomorrow the sound might not travel fast enough to attract attention. Aluminum transfers heat faster than steel. This will happen today, tomorrow, and every other day. Bodies attract each other in proportion to the product of their masses and inversely proportional to their separation squared. Most people do not question these natural laws.

Natural laws, however, are not confined to the realm of material things as many would suppose. There are numerous natural laws, just waiting to be identified. There are natural laws concerning sociology and economics, and some of them have been found. It is a natural law that the number of poor will not decrease by making poverty easy. It is a natural law that prices will increase if more money is

The Honorable Mr. Denton is State Representative from Sullivan County, Blountville, Tennessee.

generated. It is a natural law that the demand for an item will affect its price. It is a natural law that labor will be encouraged by letting the laborer keep the fruits of his labor. The free market is self regulating . . . eminently orderly; that is the first law of economics.

Why are the natural laws of

human freedom so much more difficult to accept than are the ones which apply to landing on the moon? In this area of human action and reaction, men continue to behave as though the world were flat. Improvement will come only as we see and understand the need to be free.



The Individual and Society

Each one of us, as his awareness grows,
Perceives the structure's vague outlines,
And wonders where he is.
"What level am I on?" you ask,
"How many floors are up and down from here?"
Your fellow occupants are glad to help
And show you many escalators, all marked *DOWN*.
How easy it is to tour the lower levels,
Being joined by millions in your search!
But going up, where truth and rationality prevail,
How hard that is!
You must run fast, and dodge or push aside
The hordes who bar your way.
And if your energy is equal to the task,
You face the loneliness of those deserted halls.

IDEAS ON



LIBERTY

RICHARD L. ROPIEQUET, President
Alta Industries, Inc., Portland, Oregon

Legacy of Freedom

THERE IS OBVIOUSLY a Western tradition. The Westerner is Promethean, he acts as though he had free will even when he is a Calvinist, he considers that he has rights that inhere in his nature, he thinks the state should be limited in its power to tell him what to do. He believes in variety, in pluralism, yet he knows there are objective standards in ethics and esthetics.

How did the Westerner evolve? Where did he get his ideas? The Greeks taught him to trust his mind, to pursue virtue, to try to find the pure form, the basic idea, behind the flux of events. The Romans gave him the concept of Natural Law, and disclosed to him some of the secrets of limited government before the burdens of empire brought the Caesars on the scene. The ancient Hebrews promised Western man (indeed, all men who would listen) a Messiah, and when the Messiah came He was careful to distinguish between the things that are Caesar's and the

things that are God's, thus putting the force of Christianity behind the Aristotelian and Stoic view that our governors must themselves bow to the moral law.

In the Middle Ages the church, as the great civilizer, enabled Western man to endure the feudal order; the bishops kept the rude barons humble, and the serf, though bound to the soil, was never quite reduced to slavery. When Western man finally escaped from his millennia-long isolationist trap in the peninsulas of maritime Europe by reopening the roads to the East, and by discovering the new lands of the Americas, he found new philosophers to build on what the Hebrews, the Greeks, the Romans, and the medieval Christian doctors had bequeathed him. It's been a great story, and despite its complexity, it can be caught and held in a few hundred pages, as George Charles Roche III ably demonstrates in his *Legacy of Freedom* (Arlington House, \$6.00).

In a preamble to his historical

account of the philosophies that have made the Western mind, Dr. Roche talks about the "modern malady," identifying it as "hybris," or man's "sin of pride."

Western man, worshiping the scientists who tell him that there is nothing he cannot know, has made a quantum jump in his assumptions, and now believes that there is nothing that he cannot have. As Richard Weaver has said, we Westerners have become spoiled children; our very successes have led us to believe that we can create Heaven on earth if only we change a few laws, or give a little more power to planners. We are forgetting that there is a relationship between effort and reward, and that individual effort will not be made if the coercive state steps in to rob a man of the fruits of his endeavors.

Coercion the Villain

The villain, throughout the span of Dr. Roche's story, has always been this idea of coercion, of power unchecked by the philosophy of freedom which insists that the rights of the individual are anterior to government. Much of the time the villain is off stage, muttering in lands to the east and south of Europe. But the West has had its own coercive heretics, such as some of the progenitors of the terroristic phases of the French

Revolution, and there have been heretical strains in some of the thinkers who have done much to establish the basic traditions of freedom.

Dr. Roche is especially good in dealing with the discordant elements in people he admires for their over-all contribution to the freedom philosophy. I had not been enough of a student to realize that Plato, whose original obeisance to the Philosopher-King is pure Orientalism, began to revise his theory of politics in middle life. In his *Politicus*, written some time after *The Republic*, Plato suggests that his Philosopher-King has obligations to those he governs, and in *The Laws*, a product of Plato's old age, the idea of limiting the ruler by a constitution makes its appearance.

Aristotle, who came to Plato as a young student, always believed in the idea of limited government. Dr. Roche says it is an "interesting question, which must remain forever only a question, as to whether Plato's gradual departure from the idea of a planned society was the product of his own growth in understanding, or whether it came from the prodding of the young Aristotle. As is often the case, we are unable to distinguish the influence of the master on the pupil from the influence of the pupil on the master."

Contracts and Capitalism

Dr. Roche believes in capitalism because he believes in freedom, and he notes more than once that Christianity is far more compatible with the contractual relations of capitalism than it is with any of the varieties of socialism. The medieval Christians believed in the binding force of contracts, which were at the heart of feudal society. The Magna Carta of 1215, as Rousas Rushdoony says, "strongly affirmed" the principle of contract, specifying "no forcible seizure without due process of law" and insisting that there be "no taxation without representation of property owners." And the greatest thinker of the Middle Ages, St. Thomas Aquinas, said that "no government has a right to levy taxes beyond the limit determined by the people."

Dr. Roche follows Murray Rothbard in arguing that capitalism had already started to "rise" in the Middle Ages long before John Calvin proclaimed the discipline of hard work in Geneva. St. Thomas taught that there was nothing wrong in making a profit on loaned capital as long as the contract bound two parties to a mutual risk. And the "just price," with the medievals, was the free market price.

Amusingly, the medieval philosophers whom Dr. Roche quotes

often sound more modern than the moderns. It was St. Thomas Aquinas, not Thomas Jefferson, who wrote: "A king who is unfaithful to his duty forfeits his claim to obedience. It is not rebellion to depose him, for he is himself a rebel whom the nation has a right to put down . . . the Constitution ought to combine a limited and elected monarchy, with an aristocracy of merit, and such an admixture of democracy as shall admit all classes to office by popular election."

The Present Age of Retreat

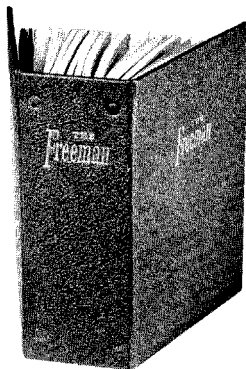
Dr. Roche attacks twentieth century collectivism as a descent into a morass. By tampering with our traditions we have tampered with our freedoms. Reading Dr. Roche's story, one wonders if modern Western man is going to do as well as his medieval forebears in living through a dark period. The monasteries kept the classical tradition alive along with the principles of Christianity when western Europe was surrounded by the barbarians. But who is going to sustain our will in the present Age of Retreat?

The young, in many instances, seem to have given up thinking save in terms of the crudest sort of sloganeering. Socrates, the asker of questions, is no longer the model; the modern "seeker" wants to feel, not think, and to "experi-

ence," not read. The big democracies of the West seem unable to come to the aid of those in the outer world who are most like themselves. In Nigeria, the Christian Ibos, who are the enterprisers of their part of West Africa, are beaten down by a less able majority which had the good fortune to command artillery and planes sent by the Marxists of Moscow. The

West deserted Moishe Tshombe, a believer in the value of competitive capitalism, in the Congo. These are happenings "on the fringe." But "the fringe" comes right into our midst when Fidel Castro helps promote campus uprisings in the United States.

Dr. Roche's book should have the widest possible reading. There isn't much time to spare. 



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A CAPITALISTIC COMMANDMENT

F. CLIFTON YOUNG

MAN, in his effort to keep himself alive and prosperous, has had an impressive record of success. Although serious misfortune or even extinction has, now and in the past, accrued to this or that individual community, man as a species has survived and survived remarkably well. He has progressed far from the primitive, naked hominid who cringed before nature and his imaginative representation of it—his gods; and now one of the few characteristics he still has in common with his half-human ancestors is his imagination. But it is an imagination no longer satisfied to remain simply the spinner of fanciful myths, but rather, through discipline, has become a highly efficient manufac-

turer of ideas pertinent to man's success and well-being.

This discipline has meant a continuous process of adaptation. Man has found it fruitful to have his beliefs reflect and correspond to reality, and profitable to act in accord with the nature of the physical universe. Man has flattered himself as being the wise animal; and insofar as he intelligently takes into account the laws of reality and those of human action, he is. It can be said, then, that man's welfare depends on the products of his reason and on their practical application, or, in short, on technology.

But it would be a mistake to infer from this that technology alone is responsible for the significant increase in favors bestowed on man since his beginning. Tech-

nology is a tool, and as such depends for its effectiveness on how it is made, and to what use it is put. The decisive factor here is man's mind, or, to be more precise, man's reason. It is a well-known fact to students of animal behavior that man is not the only tool-producing animal; chimpanzees, for example, also share this distinction. But one of the most salient ways in which man differs from the chimp is his increased ability to produce effective tools and to more efficiently use them. In a word, what distinguishes man most from the rest of the animal world is his intelligence.

An increase in man's use of his intelligence (rationality) is essentially an increase in his competence in the role of tool-producer. Man in his struggle for existence and his pursuit of happiness has found, over the centuries, that better tools have meant a better life. And, deeming this good, he has taxed his intelligence with this goal in mind. Hence, the more he used his intelligence, the more productive were his tools.

Tools, then, are not the basic instruments of production. In and by themselves nothing, man's implements depend on man. Ultimately, it is solely his mental and physical labor which is productive — all other factors of production being of a secondary and derivative na-

ture. Of these two principle means of production, the mental labor is the more important since it has been primarily through the use of man's reason that he has advanced.

The Individual in Society

Although existing as an individual, the normal member of the human race lives in a society. This communal aspect of man's nature finds its expression in most aspects of life, and affects every one of us individually. Community involvement in the individual's personal life may take the form of ordinances governing his sexual conduct, or in a claim by his society for its share of the fruits of his labor — that is, taxation. It may be voluntary (as in the demand that he vote or marry), or involuntary (as in conscript labor). It may be just or unjust, benign or pernicious, but it is always present and profoundly alters the life of the individual. The point is this: although it is always individuals who develop and manipulate the means of production, they do it as members of a society. Whether it be the improvement of his mind, his talents, or his estate, man is dependent on his neighbor for the satisfaction of his desires. As a consequence, requisite for the efficient development of the means of production is an intelligent or-

ganization of man's communal life.

Such an organization of society is inextricably bound up in the creation of an effective mode of production. By mode of production, I refer to a specific way of organizing the principal instruments of production, namely and primarily, man's mind. Obviously, the most effective mode of production would entail the improvement of man's material estate and provide for industrial progress.

Using the Mind of Man to Overcome Obstacles

If man's reason is his most valuable asset in his pursuit of happiness, and if such is to be man's goal, then it would seem to follow that the most desirable mode of production is the one which utilizes man's intelligence to the fullest. It is only common sense that such a system is the most efficient.

Man's survival and well-being are both predicated on his ability to master the world he lives in. Such mastery turns on his productivity. Anything but peak efficiency in production will generate needless frustration and pain. It is clear that if the good for man involves his prosperity, then it also involves the fullest use of his reason, and calls for the form of economic organization which allows and demands such use.

Under what circumstances,

then, does man's reason work its best?

First, both the normal and the brilliant of mankind can work at peak efficiency only with unhampered abilities. It is not only the highly creative person who languishes when unfree, but the factory employee, the clerk, the small shopkeeper, the landowner, the investor. In the broadest sense of the word, it would be the worker. The individual works his most effectively when it is in his material interest to do so; as a good general rule, the better off materially he is for his efforts, the more productive he is.

Moreover, the reason flourishes when allowed full freedom to experiment. But such a condition would be inconsistent with any form of centralized planning. Centralized planning involves a consensus among the planners, or no work is accomplished owing to indecision. But under such a consensus, valuable alternatives to any given program are often shelved. Thus neglected is the need to experiment and to explore alternatives.

The most important factor in the use of the mind is largely psychological. It is necessary to take into account the psychology of the creative individual. If the individual views himself as a human sacrifice, or is so viewed, he

cannot do his best work; and under such circumstances, creativity is often impossible. If the creative person's labor and life are not his own, his work will suffer for it. The calling of the creator must allow him the products of his labor, for he must know he is working for himself — know he is free and independent.

Anyone who has worked with the more brilliant members of the creative professions knows of their fierce desire for independence and their equally strong resentment of interference. When this desire is projected beyond the individual, it logically becomes a mutual respect for the freedom of all concerned. If such mutual respect is absent, so is full productivity. This follows regardless of the type of creative group. Whether it be the scientist, the businessman, the artist, or — to the extent that there is a little creativity in everyone — the man in the streets, this simple truth holds true.

Freedom and Property

Again, under what circumstances does man's reason work its best? Under the system which corresponds to the above outline? Indeed. But the prerequisite for such a system is freedom, or more precisely, the right of property. This should be clear from the following:

a. *Under such a system the worker (in the above-mentioned sense) must have unhampered abilities.* But any intervention by the government or by individuals in the smooth running of the free market implies a narrowing of the possibilities for individual development, a narrowing along the lines preferred by the intervening individual or group. Any limitation on intervention, then, amounts to recognition of the right of the individual to use and develop his talents. But such a right, if it is meaningful, implies that the individual has control over this sphere of his life. This must, in some sense, imply ownership and the right of property.

b. *The better off he is materially, the more productive a worker is likely to be.* Here, the right of property is also implied. And not only must it extend to the individual's person, but to his possessions. Material improvement means control (hence, ownership) over the economic goods which come to him as incentive to work; and such control must be guaranteed, for without such a guarantee, ownership is vitiated. If, to provide the most incentive to the most individuals, this right is extended to everyone, we have the right of property.

c. *The creative individual must have control over the products of*

his labor, and he must be free and independent subject only to his like consideration for others. This means both the right to what one has earned, and freedom from control or restriction. When taken together, they entail the right to free trade or property — the right to use and dispose of one's property subject only to the respect for a similar right in others. If this is absent in some respect, the individual is either unfree or is deprived of his earnings, or both. Since every individual is to some degree creative, the application of this right of each to his own person and property would be universal.

***"Thou Shalt Not Steal" —
the Moral Basis of Capitalism***

We are now in a position to define the mode of production requisite for the improvement of man's well-being. Free trade, absence of centralized planning, a many-centered (private) base for the ownership of the means of production, lack of governmental intervention in the economy — all of these were mentioned or implied above and all can be stated in a word: capitalism. So it may be rightfully inferred that man furthers his survival on this planet by the establishment of the right of property, and of capitalism. Each entails the other: when prop-

erty rights are observed, it has been seen that so are the basics of the capitalistic mode of production; when capitalism is firmly rooted, the right of property must be present as a support.

A necessary foundation for capitalism, then, is a supportive philosophy — a code of ethics that can and should serve as a bulwark for the free market. Such a code is familiar to the (classical) liberal and should be to the Christian; it is summed up in its most uncompromising form as the Eighth Commandment. The commandment, "Thou shalt not steal," and its absolute recognition of property rights fundamentally determines capitalistic relationships, in many respects *is* the capitalistic manner of production. When the right of free trade, or property, is established, so is private ownership. Only the owner of a piece of property has rights over it; but such full title implies not only that another cannot (with right) coercively obtain it from him, but that he did not coercively obtain it. Ownership rightfully derives from a ban on the initiation of force against another. Theft, if it is to have any meaning at all, is the violation of the right of ownership, and as such inherently involves the violation of property rights. A tabu on theft, then, would be by its very nature an es-

tablishment of the right of property. Hence, it would seem that the eighth Mosaic imperative is the basis for capitalism, and for man's improvement in his well-being on this planet.

Capitalism, then, as a correlative of this fundamental point of traditional Western morality, has its roots in pronouncements made centuries ago. It is hardly surprising that such an ethical precept has survived over the centuries. Man has found its observation fruitful, and under the social sys-

tem most perfectly embodying the formula has done more to better himself than under any other social arrangement. It is reasonable to expect that as he continues along these lines, he will continue to prosper. But it is equally reasonable to expect that if he fails to obey this elementary law of human morality, he may perish by the very tools such obedience has given him — tools which have made possible his mastery of the world, but also make possible his own destruction as a species. ☸

Religion at Work

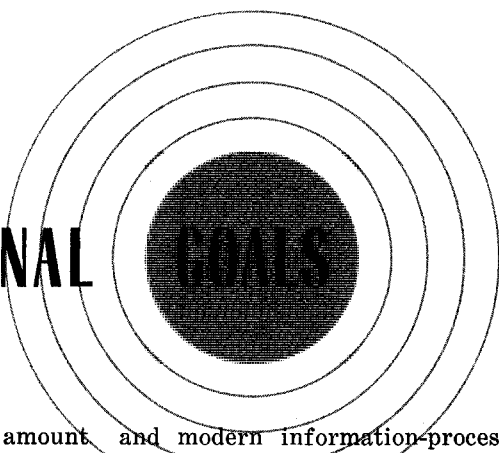
THE KINGDOM of God is a kingdom of productive power at work, and not a kingdom of aesthetic self-indulgence or emotional happiness, much less a kingdom of mere talk. It therefore requires no mystical interpretation to give credence to the promise of prosperity to those who seek first the Kingdom of Heaven. Neither does it require any miracle to bring about the literal fulfillment of the promise that other things will be added unto them, for that result would come about through the normal working of economic law. When all the latent energy of a people is made active, when it is directed in the most intelligent manner toward the satisfaction of real human needs, when none of it is wasted or dissipated in injurious, antagonistic or destructive effort, such a people will attain to a degree of real prosperity hitherto unknown.

IDEAS ON



LIBERTY

NATIONAL GOALS



THERE is always a certain amount of talk about the necessity for setting national economic goals, and you are hearing some of it now. Although such proposals are seldom outlined with any precision, they seem to envision some kind of council of elder statesmen that will make a choice among the possibilities for future development of the economy. The council would be assisted by technical experts making use of computer technology so that all the implications of each option would be fully understood.

Sometimes the idea is advanced by persons who, on the basis of their past achievements, deserve our respectful attention. And it seems to gain strength from the impressive contribution that modern decision-making techniques,

and modern information-processing machinery, have undeniably made. If this works for the parts of our economy, why not apply it to the whole?

Nevertheless, at the risk of appearing paranoid, we want to record the qualms we feel when we hear enthusiastic discussion of the idea. Bluntly, the language of "national goals" sounds much like the language of totalitarianism.

We are sure that those who talk about the need for national goals have no such subversive intention in mind. But the essence of totalitarianism is that the nation, in some mystic sense, is conceived as having goals of its own which are distinct from the goals of its individual citizens. In practice, the right to select goals in a totalitarian state is assumed by a self-appointed elite. We find this an unattractive prospect, whether the self-selected group is composed of

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elder statesmen, technical experts, or street thugs.

We would rather think in terms of a society whose main collective goals are, first, to allow everyone maximum freedom in selecting his own individual goals and, second, to furnish him maximum opportunity for achieving them — *whatever they may be*. In such a society you have to accept the fact that what develops is unplannable and only partially foreseeable.

We also believe that proposals for national goal setting are often unrealistic. In some instances, at least, they seem to embody an engineering approach to the problems of the economy. If you are building a machine, you can't expect the parts to fit together, or the finished product to work, unless everything is carefully designed in advance.

Nations Grow as Does a Tree

But the growth of nations and of national economies is an organic process, rather than a mechanical one. It resembles the natural growth of a tree more than it resembles the construction of a pre-designed machine.

If you want a full-grown tree, you plant a seedling where it will get the necessary sunlight and water. You do not have to plan the roots so that they will be strong enough to support it, or

plan the limbs so that they will fit properly on the trunk. You do have to protect your tree against diseases or accidents. The highest form of economic statesmanship, we believe, approaches the problems of the economy in this spirit rather than in the spirit of the machine designer.

In raising these objections to goal setting, we do not mean to be preaching a doctrine of atomistic individualism. Plainly, we can achieve our own goals more effectively in cooperation with others.

And, if cooperation is to be effective, it must be organized. Institutions have been developed through which individuals work together toward common goals. But these are instrumentalities for achieving goals, rather than entities which have goals of their own.

Among our institutions, and unique among them, is government. It alone has the ultimate coercive power. However, unless the language of the Declaration of Independence is now outdated, government too is an instrumentality we can use rather than a power we should serve.

It may be that, with the growth of population and industry, it has become appropriate to use government for new purposes and in unprecedented ways. People do have common concerns, about the en-

vironment for instance, that didn't exist in earlier periods.

We don't concede, however, that it has now become the function of the Federal government to set our goals for us. The goals we decide can most effectively be pursued through government are still only a part and not the whole.

All this may seem an absurdly exaggerated reaction to a lot of innocent talk about national goals. But, if there is a kernel of rationality at the core of such proposals, we must assume that those who want to set national goals also want to impose measures that would lead to the achievement of

those goals. In the usual jargon, it comes down to a question of the "allocation of resources." The resources to be allocated consist of manpower, land, and capital—in other words, our individual energies and our property.

The present method of allocating resources is through the action of the market place. This is impersonal and allows everyone a maximum of free choice both as to his input and his takeout. The over-all result is unpredictable and may not match someone's idea as to proper national goals. That seems a fair enough price to pay. ☸

Utopia

THE OPPOSITE of civilization is not barbarism but Utopia. Utopia can let no man be his own worst enemy, take the risk of going uninsured, gamble on the horses or on his own future, go to Hell in his own way. It has to concern itself more with the connection of the parts than with the separateness of the parts. It has to know where everyone is; it has to keep track of us. It can't protect us unless it directs us.

IDEAS ON



LIBERTY

WELFARISM **and its CONSEQUENCES**



IN THE EARLY nineteen thirties, in the depth of the Great Depression, the theory became fashionable that the cause of all depressions was Lack of Purchasing Power. The people just did not have enough money, and because of unwarranted pessimism they were refusing to spend enough even of what they had. The solution was therefore simple: at such a time the government should boldly increase its own spending, "prime the pump," and "get things moving again."

Naïve advocates of this theory assumed that more government spending was the whole answer. The more sophisticated advocates saw that the increased spending would not give people more purchasing power if the government kept the budget balanced and took

it all away again in higher taxes. The thing to do was to spend more *without* taxing more. The trick, in other words, was deliberately to unbalance the budget—to run a deficit.

Most of the champions of deficits—including the eminent John Maynard Keynes himself, the theory's chief architect—at least publicly professed to believe that the required deficit could be financed by selling bonds directly to the public, to be paid for out of savings. But again, the more sophisticated deficieters must have seen that a man who buys a \$1,000 bond out of his savings surrenders that much purchasing power for the life of the bond. In short, he loses just as much buying power as the government gains. On net balance, no new buying power has been created.

How, then, can the government "create" new purchasing power?

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It can do so only if it does not increase taxes at all, but "sells" its bonds to the banking system, and if the banks "pay" for them by creating deposit credits on their books in favor of the government. This leads to an increase in "the money supply"—that is, an increase either in the amount of currency or of demand bank deposits.

If the government's new bonds are sold directly to member banks, there tends to be a dollar-for-dollar increase in the money supply compared with the amount of new bonds. But if the government's securities get into the hands of the Federal Reserve Banks, they are used to create what is called "high-powered" money. This can lead to the creation of about \$6 of new money for every dollar of new government securities.

High-Powered Money

It is not easy to give a satisfactory but short explanation of the reason for this to readers without any previous knowledge of monetary theory. When member banks "buy" government bonds and "pay" for them by creating a deposit credit on their books against which the government can draw, they are adding to the nation's supply of purchasing media. They are creating money out of government promises, and some

would say they are creating money out of thin air.

Now if a member bank that has bought such government bonds sells them to its regional Federal Reserve Bank, it can ask that Reserve bank to credit the proceeds to the member bank's reserves with that Reserve bank. But if the member bank is a "city bank," it is required to keep a reserve with the Federal Reserve Bank of only 16½ per cent against its net demand deposits. This means that the member bank is entitled to lend, and so create demand deposits for, about six times the amount of its reserves with the Federal Reserve Bank. That is why money created directly or indirectly by the Federal Reserve Banks is called "high-powered" money.

Thus new "purchasing power" is brought into being. Thus people have more money to buy more goods, create more jobs, stimulate more output, and restore prosperity.

At least so it seems for the moment. But soon there are other consequences.

If there have been heavy unemployment and much "idle capacity," the new monetary purchasing power in the system, by increasing the demand for commodities, may indeed lead to an increase in production, and hence

to an increase in employment. This has been hailed as the great Keynesian contribution to economic theory and policy. But there are fatal flaws in it.

Return to Coordination

Unless there were some serious lack of coordination among prices, costs, and wages, mass unemployment would not exist in the first place. When it does exist, the only appropriate cure is individual adjustment of prices, costs, and wages to each other — the return of coordination. But this can be brought about automatically only if the competitive forces of the market are given free play.

The reason the Keynesian medicine can work — under special conditions and for short periods — is that by increasing monetary demand and prices it may increase both sales and profit margins, and so restore production and employment. Yet this could be done even more effectively — and without the poisonous side-effects and after-effects — by restoring freedom of competition and individual coordination of prices and wages.

The Keynesians think in terms of aggregates. Their remedy is to increase the total money supply, and thereby to bring the price “level” sufficiently above the wage “level” to restore or maintain profit margins and so keep the

wheels of industry spinning at full speed.

This remedy is defective in two respects. It tacitly assumes that there is a *uniform* discrepancy between prices and wages and a *uniform* percentage of “idle capacity” throughout industry. Neither is true. If “industry” is estimated to be operating at 80 per cent of capacity, we must remember that this figure is at best an *average*. It may cover a situation in which, say, industry A is operating at only 60 per cent, industry B at 63 per cent, and so on up to industry M at 97 per cent and industry N at 100 per cent. If we try to expand the money supply enough to return industries A and B to full capacity, we may completely “overheat” industries M and N and produce serious productive distortions and bottlenecks.

What is more, an increase in the stock of money, contrary to Keynesian theory, will begin to force an irregular increase in prices long before “full capacity” has been reached and the “slack” taken up — if only for the reason that the “slack” is never uniform throughout industry. In a very short time, also, with the increase in prices and the increase in the demand for labor, wages will start climbing too. Then, if the previous trouble was that most wages were

already too high in relation to most prices, there will again be discoordination between wages and prices; and the Keynesian prescription will call for still further doses of government spending, deficits, and new money.

Chronic Inflation

So the Keynesian medicine must lead to chronic deficits and chronic inflating of the money supply. This is precisely what we have had. It is no accident that we have just run eight annual deficits in succession, and that we have had 32 deficits in the last 38 years. It is no accident that the U. S. money supply (currency plus demand deposits) has been increased more than five-fold — from \$36 billion at the end of 1939 to \$199 billion in September, 1969. And so it is no accident that, in spite of a tremendous increase in industrial production in this thirty-year period, consumer prices have increased (to June, 1969) by 164 per cent.

Today the Federal government is spending in a single year *269 times as much* as in the fiscal year before the outbreak of World War I. The recent increase in annual spending is being attributed by government spokesmen to the cost of the war in Vietnam. Yet though in 1970 scheduled national defense expenditures are

\$35.6 billion greater than in 1960, total expenditures are \$103.1 billion greater. This means that non-defense expenditures alone have increased \$67.5 billion in the same period. It is not the war, but the determination to impose the welfare state, that has led to this incredible squandering.

Money vs. Reality

A central fallacy of Keynesianism, as of all inflationary nostrums, is that they chronically confuse "income" in terms of paper money with real income in goods and services. It is possible to increase paper-money income to any amount by debasing the currency. But real income can only be increased by working harder or more efficiently, saving more, investing more, and producing more.

So let us not be too impressed by politicians who constantly cite the increase in dollar incomes, in dollar "gross national product," to show that we never had it so good. In Italy today, as a result of past inflations, it takes 624 lire to buy an American dollar. So anyone in Italy with an annual income or even total property worth more than \$1,600 American dollars is already a millionaire in his own currency.

The debasement of the dollar over the past thirty years resulted

in a succession of problems, including a chronic "deficit" in the American balance of payments.

How Domestic Inflation Creates International Problems

The "balance-of-payments problem" has arisen not merely because of our domestic inflation but because of the combination of this with the so-called "gold exchange" standard and the world monetary system set up at Bretton Woods in 1944. Under that system each government undertook to keep its own currency unit within 1 per cent of parity in either direction by buying or selling that currency against other currencies in the foreign exchange market. In addition, the United States Government undertook to make the dollar the world's "reserve currency" and anchor currency by guaranteeing to keep it convertible at all times (for foreign central banks, but not for its own citizens) into gold at the fixed price of \$35 an ounce.

Though only central banks, and neither American nor foreign private citizens, have the right to ask for this conversion, keeping the dollar convertible into gold at this fixed price has proved increasingly embarrassing to our monetary authorities, especially since 1957. During the last decade we have been sending or spending abroad

for various purposes — to pay for imports, for foreign aid, and for the support of our armed forces in Europe and in Vietnam — billions of more dollars each year than we have been getting back in payment for our exports and earnings on our capital invested abroad.

This excess of outgoing dollars is called the "deficit" in our balance of payments. From the end of 1957 to the end of 1967 this deficit ran at an average of \$2.8 billion a year. At the end of 1968 the cumulative total was in the neighborhood of \$30 billion. In early 1969 the deficit on a "liquidity" basis was running at an annual rate of \$6.8 billion.

As a result, our monetary gold stock had fallen from \$22.8 billion at the end of 1957 to only \$10.4 billion in July, 1969. Against these reduced gold reserves the United States had liquid liabilities to foreign official institutions of \$10.8 billion, plus short-term liabilities to private foreigners of \$22.6 billion — a total of nearly \$34 billion.

In much discussion our dollar liabilities to private foreigners are not counted as a potential demand on our gold reserves because private banks, firms, and individuals cannot directly demand gold for their dollars. But under the International Monetary Fund agreements they can always in-

directly sell their dollars at par to their respective central banks.

In sum, against United States gold reserves of only about \$10 billion there are more than three times as many potential foreign dollar claims for gold.

Treating the Symptom

As our gold has drained out, and as foreign dollar claims against it have mounted, the blame has been put on this "deficit" in our balance of payments. But instead of dealing with the main cause of this deficit — domestic inflation — our governmental authorities have allowed the inflation to go on, and have even increased it, while trying to stop the symptom. They have treated the deficit in the balance of payments as itself the problem, and have adopted desperate measures to try to halt it by direct controls.

Their first major control, imposed in 1964, was a penalty tax on purchases by Americans of foreign securities. To make such foreign investments the culprit responsible for a balance-of-payments deficit was not only arbitrary but implausible on its face. In the five years 1958 to 1962 the aggregate net outflow of \$16.6 billion for new foreign investment was offset by \$15.4 billion of income from previous investment. Even the Secretary of the Treas-

ury, who had asked for the penalty tax, conceded: "In the long run the outflow of American capital to foreign countries is more than balanced by the inflow of income earned on that capital."

He urged the tax, in fact, "only as a temporary measure to meet our problem pending more fundamental solutions." Of course, the more fundamental solutions were never adopted, so not only was the "temporary" security tax renewed, but on January 1, 1968, the President added mandatory controls on direct investments by American corporations abroad.

The implication of these measures is that our private foreign investment has been one of the chief causes of the deficit in our balance of payments. This is clearly untrue. It is Federal spending, through foreign aid and military outlays, that has been in deficit. In recent years the private sector as a whole, as a result of export surpluses and income on private investments abroad, has continued to generate a payments surplus.

In 1967 our total new foreign investments—including bank loans, purchases of foreign securities, and direct investments in factories and sales facilities — amounted to \$5.6 billion. But the income from these and earlier private investments came to \$6.2 billion.

At best, then, all these foreign investment restrictions and prohibitions are shortsighted. Any reduction we make in new foreign investment today means a corresponding reduction in investment income tomorrow.

If the Federal government, instead of picking foreign investment as the culprit chiefly responsible for our balance-of-payments deficit, had put punitive tariffs on the further import of foreign luxuries — liquors, wines, perfumes, jewelry, furs, and automobiles — its action would still have been a mistake, but much less damaging to our future economic strength. These tight curbs on direct foreign investments by American corporations must severely hamper their ability to compete successfully with other international corporations in Europe and the rest of the world.

The President's own Economic Report of 1967 pointed out that: "U. S. investment abroad generates not only a flow of investment income but also additional U.S. exports. From a balance-of-payments point of view this is an additional dividend." The U. S. Department of Commerce found, in fact, that in 1964 \$6.3 billion, or 25 per cent of our total exports in that year, went to affiliates of American companies overseas.

It is hardly too much to say that

direct foreign investments, with the exports and income to which they give rise, are the greatest single source of long-range strength in our balance-of-payments position.

Still worse, from the standpoint of their direct restriction on personal liberty, were the Johnson Administration's proposals (fortunately not enacted) to have Congress impose practically prohibitive penalty taxes on Americans traveling abroad.

The Failure of Direct Controls

The whole effort to eliminate our balance-of-payments deficit by direct controls over arbitrarily selected individual items is doomed to failure. Such controls may succeed in changing the relative amounts of different items, but cannot change the end result. At best we can make our immediate balance of payments look better at the expense of our future balance. We cannot unilaterally cut down our purchases or travel or investments abroad without also cutting down our sales abroad and our investment income from abroad. In his Economic Report of 1968, President Johnson himself conceded that "by provoking retaliation" we may "reduce our receipts by as much as or more than our payments."

The whole so-called "balance-of-

payments problem" would never have arisen except under the arbitrarily contrived International Monetary Fund gold-exchange system set up at Bretton Woods in 1944. It could not exist if the United States and other countries were on a pure "floating" paper standard with rates fluctuating daily in a free market, because under such a system the fluctuations would themselves set in motion the self-correcting forces to prevent unwanted deficits or surpluses from arising. Nor could the balance-of-payments problem exist if the United States and other leading countries were on a full gold standard. A "deficit" in the balance of payments would then lead to an immediate outflow of gold. This in turn would lead to immediately higher interest rates and a contraction of currency and credit in the "deficit" country, and the opposite results in the "surplus" countries, and so bring the so-called deficit to a halt.

Postponing Self-Correction

Under the Bretton Woods system and the "gold exchange" standard, however, no self-correction of this sort is allowed to take place. When we "lose" paper dollars abroad, we simply print more at home to take their place. And when Europe gains these dollars, they find their way into the cen-

tral banks, where they become additional "reserves" against which the European governments issue still more of their own currency. Thus, further inflation, in both the "deficit" and the "surplus" country, seems to take place automatically.

In the IMF system there are no freely fluctuating market rates for individual currencies to reveal and correct international imbalances. Market rates are not allowed to fluctuate by more than 1 per cent above or below parity. At that point each government is obligated to buy or sell its own or foreign currencies to prevent any further departure from parity.

These currency-pegging operations are supplemented by the so-called gold-exchange standard. This arrangement, which goes back to international agreements in 1921 and 1922, permits central banks to count not only their gold but their holdings of dollars (and of British pounds) as part of their reserves. The arrangement was adopted in the belief that there was a "shortage of gold" and a "shortage of international liquidity." As a result the world's monetary "reserves" today consist of about \$42 billion in gold *plus* about \$28 billion of "reserve currencies," of which more than \$15 billion are American dollars. As credit and other currencies are

issued against these reserve currencies, the reserves themselves are inflated.

They Still Want Gold

The real reason the American monetary authorities fear a continued "deficit" in the balance of payments is that they have given the central banks of other countries the right to demand gold for their dollars at \$35 an ounce. They have seen more than half our gold reserves flow out in the last twelve years, and they are fearful of losing any more.

They long ago persuaded the Federal government to prohibit American citizens from holding or asking for gold. In the last few years they have resorted to increasingly desperate expedients. Where possible, they have brought political pressure on foreign central banks to keep them from asking for gold for their dollars. Early in 1968 they stopped feeding out gold to hold down the price in private markets in London, Paris, and Zurich. They now try to maintain an inherently unstable two-price system, with official monetary gold at \$35 an ounce and nonmonetary gold free to sell at whatever price supply and demand fix.

Early in 1968 the Administra-

tion also got Congress to abolish the remaining gold-reserve requirement of 25 per cent against Federal Reserve notes, on the plea that this was necessary to reassure foreign central banks by making all remaining United States gold holdings available to them. But what this action really did was to remove the last legal limitation on the amount of paper money that the Federal Reserve system may issue.

Finally, the American government has pressed for the creation by the International Monetary Fund of "special drawing rights" (SDR's), or "paper gold," to "supplement" dollars as international reserves. The only thing this purposely complicated scheme can do is to adulterate reserves still further and make it possible for nations to issue still more paper money against these paper SDR's, which are declared with a straight face to be just as good as gold if not better.

All these schemes are unsound, and in the end all of them will prove futile. The truth is that no solution of the monetary problem, national or international, will be possible until inflation is stopped, and that it will not be stopped as long as we have the welfare state. 

A Disturbing Awakening

EARL ZARBIN

HOW NAIVE I must have been! That's what I thought when a friend of mine assured me that he believed in violence under certain conditions.

He wasn't thinking of the force a man might use in defense of his life and property—he couldn't have been, because he was about to explain that the violence may be justified to achieve such "good" as relieving hunger and poverty.

Plainly, a person who can justify the use of force to redistribute property in an effort to end hunger and poverty cannot justify the use of defensive force by those from whom the property is to be taken.

However, this contradiction was to come out of his mouth. He said a man certainly has a right to defend his property, except for certain things, such as taxation to promote the general welfare, in-

cluding the police, social security payments, aid to dependent children, urban renewal, and so on.

I readily agree that taxing to maintain the police power to inhibit violence is legitimate. It is the way of living in civilized society. But I don't concede the legitimacy of taxing from some to give to others, the process necessary to finance the welfare schemes and subsidies mentioned above.

My naivete stemmed not from this; rather, it came from my assumption that people who think of themselves as civilized reject violence as a way of life. Obviously, not all of them do.

I do not know just how widespread this sickness is. (Surely there must be some illness to the intellect which approves the use of force and coercion for reasons other than the defense of life and liberty.)

I realize that the earth largely

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is controlled by men (governments) subscribing to various forms of authoritarianism, among them the bulk of the political officeholders in the United States; but I can't bring myself to believe that people would support such power if they understood this.

Of course, I have no way of knowing what number of persons on the block where I live would support or reject violence. Foolishly, perhaps, I have assumed that those who understood violence would reject it. Now I am not certain, not certain at all; indeed, short of questioning each person I meet, I shall never know.

**To Advocate Socialism
Is to Espouse Violence**

This awakening, both astounding and shocking to me, came as the result of a discussion concerning a professor at a local tax-supported university who maintained that he had a "right" to advocate socialism in the classroom and on the campus.

My position was that the professor, in singing the praises of socialism, was espousing a philosophy of violence; because socialism, as history has shown, cannot be instituted without the use of force, direct or implied. For this reason, I did not believe that those of us who support limited govern-

ment and free market economics should be required either to pay this professor's salary or to provide him with a platform from which to urge the destruction of the institutions—misshapen though they be—which pay his wages and support the university.

I explained that outside the classroom and off the campus the professor should be free to advocate whatever he wanted, but inside he should confine his remarks to teaching what he was hired to teach. I also said I had no objection to explaining the various "isms" in the classroom, but I could not agree to the *advocacy* of any of them because of the nature of the tax-supported institution: since persons of all political and economic persuasions are forced by government to support the university, it would be improper to permit the advocacy of one political or economic system over another.

I said I would prefer that this professor be dismissed from his teaching position if he did not stop his advocacy of socialism/violence. He had declared his "right" to do this, and unless he changed his mind, the university administration, it seemed to me, had no choice but to discharge him.

I hoped my friend could concur with my position that advocating

violence was immoral. No, replied the friend, he could not agree, because he was perfectly willing to use force on me and everyone else to achieve the social circumstances mentioned above. Hence, he supported the professor and did not agree that he should be dismissed.

So there are persons who consciously and knowingly support the use of coercion and force. Have I been so naive not to realize this? I suppose I knew it all the time, but I didn't want to accept that people who say they support liberty and freedom can at the same time say they support compulsion

and violence. Clearly, they cannot know what they are saying.

I suppose I've always known this to be so. How else could there be so many supporters of "democratic socialism" and other welfare state schemes? But I've wanted to hide myself from this realization. I simply didn't want to believe that these people would willingly and deliberately use force to achieve their goals.

Now I do believe. The veneer of my reluctance to accept that there are many among us who would do this has been peeled away. It has been a disturbing awakening. ☸

Law as a Negative Force

WHEN LAW and force keep a person within the bounds of justice, they impose nothing but a mere negation. They oblige him only to abstain from harming others. They violate neither his personality, his liberty, nor his property. They safeguard all of these. They are *defensive*; they defend equally the rights of all. . . .

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

IDEAS ON



LIBERTY

The Role of Students in the Governance of Law Schools

PHIL C. NEAL

I WANT to begin by rephrasing what I take to be the proper subject of this discussion. There are different points of view from which one might consider the role of students in the governance of law schools but there is only one which seems to me to fit the purposes of this Association and this meeting. It is this: How can student participation in the governance of law schools improve the quality of law schools and of legal education?

Starting from that point of view, I may as well begin with a forthright disclosure of my own benighted convictions, confident that I shall at least perform the humble service of providing a de-

cent target for those who will follow me on this panel. I see little reason to hope that our current absorption with the formal modes of student involvement in the governance of law schools is a path toward the improvement of legal education. I think it is a dreary road that leads to a dead end, one that exacts a heavy toll in time, uses the least important talents of our students and faculty, and carries us toward an environment that is more stifling than invigorating.

This view, which may be shocking, is not based on antipathy toward students nor on mistrust of their objectives, although I know that it may be misunderstood. Nor, I think, does it reflect a lack of appreciation of the contribution that some of them can make in proper ways to a better

Professor Neal is Dean of the University of Chicago Law School. This article is from his statement at a panel discussion at a meeting of the Association of American Law Schools, San Francisco, December 28, 1969.

perception of the aims and methods of legal education. My antipathy is not to students but to the idea of governance as a guiding principle in the enterprise of education. My concern is that preoccupation with the role of students leads inevitably to preoccupation with governance, and magnifies the role of governance in an endeavor that should have as little of it as possible.

A Dull Part of Education

Questions of student participation apart, it is unlikely that we would find ourselves today talking about problems of the governance of a law school. Some rather drab subjects have from time to time made their way into programs of this Association or into the pages of the *Journal of Legal Education*, but happily the topic of governance has not been prominent among them. I suppose that until now most would have regarded it as a non-subject, and it is a significant but gloomy commentary on the state of affairs that we could muster this much of an audience to hear a discussion of it now.

The students who seek formal modes of exerting their influence on the character of a law school have a misconception about the nature of the enterprise and an illusion about how it in fact op-

erates. What is true of universities is equally true of law schools, and I cannot put the point better than Harry Kalven has recently done in speaking of universities: "The heart of the activity — what one studies, thinks about, teaches, does research on, those activities which are the reason for his being at a university, are by a proud tradition placed virtually beyond the reach of governance. Ideally, a university is a collection of anarchists, each being allowed to pursue truth in his own way. In a deep sense, the better the university, the less there is to govern. And the least interesting aspects of university life are those which are subject to governance. The organizational principle of the university . . . is anarchy — the right kind of anarchy."

This is not mere rhetoric designed to parry student ambitions and not a mere statement of an ideal. It is closer to a description of the reality than any table of organization would be. How little there is of governance in the ongoing business of a law school is something soon learned by most faculty members and all deans. It will be said, and of course it is true, that there are committees on this and that, there are meetings, there are reports, and the faculty occasionally does something by vote. But ordinarily this is a fitful

and desultory process. The issues of policy that get resolved by this process in ordinary times are surprisingly few. The number that are important is even smaller, and the number that have to do with improving the quality of legal education is almost negligible.

Ideas Not Born in Committee

We need to ask ourselves how it is that innovation and reform come about in law schools. It is not by governance. It is seldom by committees. I venture that none of us could name a half-dozen committee reports that have exerted a strong influence on legal education, either in general or in individual law schools. And even where a significant committee report can be identified, I am confident that investigation would show that it was largely the work of one man.

The reason is not obscure. Our problems are in the realm of ideas and, even more important, the elaboration and implementation of ideas. They have little to do with arriving at a common will, which is the business of governance. A committee may resolve that urban studies should be developed, or even that particular courses should be offered. Nothing will come of it, and indeed the idea itself is unlikely to be propounded, unless there is a particular individual

who sees it as important to engage in the painful creative task of exploring the field, organizing its problems, and putting together a course. To take but one example, can one imagine that Henry Hart's course on the Legal Process could have been born in committee? Where is the striking course or the important field of the law whose addition to the law school curriculum owes its genesis to the work of a committee or the deliberations of the faculty?

When one turns to other areas of the enterprise in which committees customarily function, such as admissions, administration of academic rules, and the appointment and promotion of faculty members, the problems are different but the same general question is appropriate: What reasons are there to believe that participation by students will improve the overall quality of the judgments that are made? Putting aside all other difficulties, how are the students to be found who will have the capacity, the sustained interest, and the desire to spend their time in such unproductive fashion, that will enable them to do a better job than the faculty members who presently carry out these generally unwelcome responsibilities?

The number of faculty members who function effectively on committees is itself small. It takes

time to learn who they are; it takes experience for them to learn to work efficiently in these routine areas of school administration. It seems to me extraordinary to suppose that there are significant gains in the efficiency or quality of these activities to be found in any available procedure for choosing students or of using them in the short time they can serve. To the contrary, I am reasonably confident that the effort to do so involves substantial losses in the efficiency if not the quality of the process.

How Students May Help

Such negative views do not imply that students have nothing to contribute to the policy of a school or to the direction in which legal education will move. The point is that there are abundant opportunities for that contribution to be made without obsession with the empty questions of structure and governance. We need ideas. We need to take account of the criticism and the special perspective that new generations of students bring to our problems. Those students who have something to say should find no difficulty in getting attention for compelling ideas and persuasive arguments. I cannot imagine a faculty that would not welcome or be influenced by a thoughtful and well-reasoned re-

port of an individual student or a group of students on any problem of legal education. Such reports being as rare as they are in the case of faculty members, the opportunity is in a sense very great.

One would think that law students especially would respond to this challenge if they are interested in the problems, since they have chosen a career that puts high value on the arts of reasoned analysis and persuasion. But this kind of contribution is one that not many students are able or willing to make. Hard work is involved. The stock of ideas that students can bring to old and difficult problems is understandably limited. The most capable students will recognize the difficulties and, for the most part, will rightly conclude that there are better and more interesting ways to use their time. The result is, I am afraid, that most efforts of students to become involved in these matters take the form of superficial proposals based on whatever happen to be the current clichés of reform that leap from one law school to another.

We should by all means encourage thoughtful consideration of the problems of legal education by students, and listen to what they have to say. I doubt very much that the process is going to be much advanced in the long run by

institutional arrangements, whether in the form of joint committees, parallel committees, representation at faculty meetings, or whatever other devices a particular school may see fit to adopt. There seems little reason to believe that whatever contributions students can make cannot be made by them as students rather than as participants in governance. The elements that make for excellence

in a law school are ideas, intellectual climate, and incentives. More governance will not improve these elements. In relation to the environment of a law school, governance is really a form of pollution. If we would preserve the vitality of our institutions, we must hope that we will recognize governance for what it is before it is too late. Perhaps it is already too late.



Society's Dilemma

Society's an edifice
Carved out of human flesh,
Unknowable and limitless,
Stretching from man's dawn
To his eventual demise.

The master plans are lost,
Or never were designed,
And vain, untutored men
Seek glory as its architects —
Crumbling and rebuilding, endlessly,
Over mounds of shattered lives.

King or shaman,
Demagogue or priest,
Bureaucrat or labor leader —
Tyrant after tyrant,
Knowing our insane cupidity,
Using our own blood as bait,
Have lured us into slavery or slaughter.

What hope is there for us
To break this vicious cycle?
None, or nearly none,
Until we see with crystal clarity
That each man must support himself —
And share his talents with the world,
In fair exchange for other values
Freely offered by his brothers everywhere.

IDEAS ON



LIBERTY

RICHARD L. ROPIQUET, President
Alta Industries, Inc., Portland, Oregon

SINKING IN A SEA OF BUTS

LEONARD E. READ

THERE were five of us, one an Austrian, at a pre-dinner get-together. These friends were each as near purists in the freedom philosophy as one ever comes upon — which is the only reason for mentioning one man's dissent. His dissent seemed insignificant, but it's the minor deviations and inconsistencies of the philosophical elite — not the imitators among us — that weigh so importantly against exemplary action.

That's the setting; here's the talk: A free market affirmation of mine brought an immediate response from the Austrian, "I infer that you wouldn't even approve of the Vienna Opera." (State owned.)

"Indeed, I would not."

"Why, Leonard!"

Following my explanation, he remarked, "I agree with you in principle, *but*. . ."

I cut him short by saying, "If

you agree with me in principle, then we have nothing more to talk about." However, in that remark I was wrong. This is precisely where the talk should begin — with the origin of his and countless other *buts*.

To complete the background, my friend confessed the next morning, "I lay awake most of the night fretting about our discussion. While I still agree with you in principle, I find myself so emotionally committed to the Vienna Opera that in this instance I must make an exception."

It is not my intention here to pick on socialized opera or to show how socialization of the arts is authoritarian or even how a free market for the arts gives consumers what they wish in exchange for their money. This should be apparent to anyone who has an understanding of how freedom af-

fords justice, whereas socialism does not and cannot.¹ Rather, I wish to suggest the fallacy and the damage arising from allowing exceptions or "*buts*" to what one regards as right principle.

***Emotionally Committed
Rather than Rational***

I rather like the phrasing of my friend's excuse for his deviation: "emotionally committed." By using this term, he acknowledges that his is not a rational commitment; for one of his understanding, it couldn't possibly be. No use explaining to him how the market works — he already knows. So do countless others who approach exemplary status! His phrasing is valuable because it brings to light a facet of the freedom problem that has been eluding us: emotional rather than rational commitments against which rational rebuttals are fruitless.

Among those who understand the freedom philosophy and how it works in practice will be found very few, indeed, who aren't emotionally committed to this or that practice of socialism. Nearly every one of these near-exemplars has his socialistic "thing." If it isn't the Vienna Opera, it is the Gateway Arch, this or that bit of

protectionism, a subsidy that befits his convenience, or whatever. "I agree with you in principle, *but*...."

In the first place, I cannot allow my own pet exception to freedom without allowing others their pet *buts*. Every socialistic "thing" is someone's pet. Logically, if I break faith, then I am, by my conduct, endorsing faithlessness on the part of everyone. For me to stand for one socialistic item, regardless of how emotionally committed, is for me to give away the case for freedom; it is to open the sluice gates for all-out socialism. I cannot allow myself an exception and deny a similar allowance to others.

Freedom, as I define it, is "no man-concocted restraints against the release of creative human energy." This, in my view, is right in principle. Granted, a principle stands whether or not anyone stands for it. But whether or not I am a man of principle depends on whether I adhere to or abandon the principle. I cannot slightly defect and remain principled any more than I can slightly lie and remain truthful, or any more than I can slightly steal and remain an honest man.

Bearing in mind that we are here discussing the minor flaws of near or would-be exemplars of freedom — the actions of the philosophical elite — the word "slightly"

¹ See my article, "Can Opera Be Grand If Socialized?" in THE FREEMAN, September, 1962.

suggests another error common among them. It is that we must rid ourselves of socialism *but* it must be disposed of *gradually*, that is, slightly, or by a step at a time. Were it abolished suddenly, so it is argued, the shock would be unbearable, adjustments to a free society impossible.

This argument rests upon the unwarranted assumption that, were you or I to stand for the immediate repeal of all socialism, then immediate repeal would follow. Actually, if millions of us turned against socialism and demanded its immediate repeal, it would take years for the realization. The wheels of society turn slowly. Gradualists fail to distinguish between principle and practice.

Whenever anyone urges the gradual repeal of laws he believes to be wrong, he has lost the thought and force behind the case for repeal. Instead, postponement is actually advocated; and postponement, as eternity, has no cal-

endar days, no deadline — it is a never-never proposition.

Gradualism has yet another flaw. It implies that what is declared to be wrong isn't all wrong; otherwise, why abide it for a moment? It's like saying that we should bring the thief slowly to justice else the baker and the haberdasher will lose the malefactor's trade too suddenly.

When events in society are going wrong — and they appear to be — nothing less than exemplary action can set them aright, a difficult role. Any exemplar must be prepared for disfavor and unpopularity, simply because his principled positions are and of necessity must be an affront to the mores, a break with the prevailing wrongs.

Freedom appears to be submerged in a sea of *buts*. It is entirely realistic to expect these *buts* from persons who do no thinking for themselves. The exemplar, however, never degrades a principle with a *but*. To do so is commonplace, not exemplary. ☸

Imagine That!

IDEAS ON



LIBERTY

ASSUME you discover a way of saving the Federal government one million dollars. Assume furthermore that 999 other citizens find different ways of saving one million dollars. If the government were to accept all the proposals, the savings would amount to less than one-half of one per cent of the proposed 1970 Federal budget.

BIGNESS

IN BUSINESS

SHELDON WASSERMAN

THERE has been much discussion recently concerning bigness in business. It is not the purpose here to debate whether bigness per se is an evil. The contention, rather, is that the very policies of government designed to protect competition and combat bigness have necessitated and created this prevalent trend, best exemplified by the conglomerate corporation. Among the factors aggravating this trend are: (1) inflation, (2) the exploitation principle, and (3) corporate statism.

By inflation, I refer to an increase in the supply of money or bank credit without a corresponding increase of the gold supply behind the money.¹ It would be very difficult for a large or intermediate size corporation to acquire

company after company without large sums of money at its disposal. Inflation by itself, however, while tending to encourage some mergers, would not result in the conglomerates as a major movement in industry as we see it today.

During the inflationary period of the twenties in the United States, while companies did merge with one another, it was usually for the sake of efficiency — that is, for the purpose of increasing productivity and lowering costs in order to expand sales which would result in increased profits. Few companies bought up other companies in unrelated industries as is quite common today.

We shall not go into the issue of inflation in detail here; what's important is that if money (or bank credit) weren't plentiful, as during a period of inflation, corporations would find it very difficult to fund their acquisitive ventures.

¹ See *What You Should Know About Inflation* by Henry Hazlitt (Princeton, N. J.: Van Nostrand, 1960).

Mr. Wasserman is a systems analyst for a computer manufacturer.

The Exploitation Theory

The exploitation theory was popularized by Karl Marx.² The general characteristic of this theory is that all economic goods are the product of labor only; that is, that which gives value to a good is determined solely by the labor that went into it. The worker, who is the sole producer of economic goods, receives only a partial value of what he produces. The reason for this gross injustice is that the capitalist controls the means of production — land, resources, and capital — and uses these factors to exploit the worker. Since the worker will starve if he doesn't receive some means by which to support himself while he is in the act of production before the product of his labor can be sold or exchanged, he undertakes a wage contract. Under the threat of hunger and the wage contract, the worker is exploited by the capitalist. The wage he receives from the capitalist is a fraction of what he produces, while the remainder of his production — the surplus — goes to the capitalist who need not exert any effort.

The so-called surplus under this theory (rather than rent on land and interest on capital goods) is attributed to two factors — one

economic, the other legalistic. The economic factor is the division of labor. Under this system a worker can produce more than he requires for his subsistence, enabling others to share in the fruits of his labor. The legalistic factor stems from the private ownership of land and capital goods. The workers generally do not own these two factors of production — land and capital goods — and consequently, they are forced to enter into a contract with the owners, thereby relinquishing a part of their proceeds. The power which compels them to accept the wage contract is hunger.

This exploitation theory has led to two kinds of laws, both of which tend to inhibit competition and maintain the status quo, hindering the entry of new companies into such industries as auto manufacturing or steel characterized by one or more large corporations. In the event that new companies do manage to enter the field, these laws make it very difficult for them to become large enough to pose a serious threat to those corporations that are firmly entrenched.

Intervention by Taxation

The first group of laws are those designed to redistribute the wealth by taxation. These laws rest on the view that the capitalists get rich by exploiting the workers and

² See *The Exploitation Theory* by Eugen Böhm-Bawerk (South Holland, Illinois: Libertarian Press, 1960).

the workers are poor because they are exploited by the capitalists; taxing the capitalists to pay for certain goods and services for the indigent workers would help to alleviate the gross injustice. Hence, the graduated income tax and high taxes on profits.

These laws, with their high tax rates on higher incomes and profits, make it very difficult for a new company to accumulate the capital for expansion. Try to imagine under present tax laws a "Henry Ford" starting on a shoestring and accumulating the necessary capital to threaten the positions of General Motors and Chrysler. As his profits increase, so do his taxes; instead of plowing his profits back into his business (as did Henry Ford), he would face increased taxes and have nothing left for expansion.

One doesn't begin a large company, he starts a smaller one; if it is profitable, he expands accordingly. If his profits are high, he has that much more to pump back into the corporation. If his profits are low, he may expand little, if any. Current high taxes on profits diminish the possibility of expansion.

High tax rates on profits also encourage larger companies to seek a tax break by buying marginal companies, those that are barely making a profit or actually

losing money. The more money the marginal company loses or the less it earns, the bigger the tax advantage.

Money tends to flow to those investments which offer the highest rate of return — interest and profit. The higher the potential risk, the greater the potential return needed to compensate for that risk. A newer company would have to offer a potentially higher profit as an incentive to attract investment capital, since the investment risk would be greater than that of an established company. The stiff taxes on profits would, of course, reduce the potential profit and add to the difficulty in starting a new company.

So, the income tax makes it difficult to start a new company of any appreciable size or to expand an existing one. The result can be observed in the decrease in competition in those industries with large established companies. New companies are discouraged from entering the field. Established companies may lack the pressure for innovation, tending to become bureaucratic and stagnant.

Competition encourages innovation and change for the sake of improvement. A large company, even though it may enjoy a large proportion of the market, must continue to improve old products

and introduce new ones in order to keep pace with competition. Consider, for instance, the case of the Ford Motor Company. In the early 1920's, Ford had 55 per cent of the market. That lead had dwindled in five years to about a third; consumers valued other automobiles more, even though they cost almost twice the price of a Model T. Henry Ford's competitors were offering a closed sedan in a variety of colors, while the open-topped Model T came in, to quote Henry Ford, "any color you want so long as it's black."

With the possible exceptions of the utilities and public transportation, there is in the United States today no company holding a competition-excluding (coercive) monopoly. This being the case, there is still some innovation and improvement in the products being offered for sale. But the growth of bureaucratic structure, independence, and innovation have diminished.

The stagnation and bureaucratization can be observed in the structure of large companies, not only at the corporate level, but at the departmental level as well. Just try to find someone to listen to an idea that would alter the power structure appreciably or diminish any of the "spheres of influence" in the company.

Many managers, instead of en-

couraging innovation, prefer to play it safe. A common rule in business today: "Don't rock the boat." Recently, a former vice-president of GM was hired by the Ford Motor Company to make changes in that company from the top down to increase their share of the market; he only succeeded in getting himself fired because his suggested changes seemed to intrude into other executives' "spheres of influence."

Privileges for Unions

The second group of laws which grew out of the exploitation theory were those designed to protect and promote labor unions. The arguments advanced for "protective labor legislation" centered on the issue of the wage contract and the hunger of the workers versus the greed of capitalists. "The only thing that the capitalists care about," it was argued, "is their profits; as long as they can increase profits by exploiting the hard-working laborers, they will do so."

Supposedly, the worker needed some defense, some way to correct the unfairness and alleviate his suffering. Legislation such as the Norris-La Guardia and the Wagner Acts strengthened the bargaining position of the unions and led to the powerful position which they enjoy today — not the power

derived from efficiency and excellence of performance in competition, but power to exclude competitors by government-like coercion.³

The unions acquired their coercive monopoly through laws which remove labor disputes and union violence from the jurisdiction of the courts and place them in the hands of a special and sympathetic National Labor Relations Board.

When a group of laborers organize and strike, they can prevent the company's hiring other men to take their places and also can and do resort to violence or threat of it to keep all workers off the job.⁴ This, of course, makes it difficult for a company to win in a dispute with a union.

The excessive wages and benefits demanded by these unions make it difficult for a new company to get off the ground as a going concern trying to accumulate capital for expansion.

It can readily be observed that for manufactured items it costs more per unit to manufacture the

first one than the second, and as the quantity increases — up to a certain point which varies according to product and production method — the unit cost goes down. This being the case, smaller companies have to be more cost-conscious than their larger competitors; the larger companies, having a bigger share of the market, produce more items over which to spread the cost.

Both the prolabor legislation and the tax laws, by protecting the larger and established companies, bring about a lessening of competition. This reduction in competition encourages stagnation and leads toward bureaucracy in industry, and eventually toward the corporate state.

Because of the expansion of government and its increased control over industry, two separate but interwoven trends become discernible, both contributing to the bureaucratization of business. The first is the spectacle of American industries vying for government contracts; the second finds businessmen fawning upon government officials with their complex edicts and laws.

The Growth of Government

The growth of government contracts also is rooted in the exploitation theory. If the capitalist would exploit his workers as work-

³ For further discussion of monopoly power, see *Man, Economy and State* by Murray N. Rothbard (Princeton, N. J.: Van Nostrand, 1962) and *Human Action* by Ludwig von Mises (New Haven: Yale University Press, 1949).

⁴ For documentation see the reports by Dr. Sylvester Petro: *The Kohler Strike* (Chicago: Regnery, 1961) and *The Kingsport Strike* (New Rochelle, N. Y.: Arlington House, 1967).

ers, wouldn't he also exploit them as consumers of goods and services? The belief that he would has led to public schools, government assisted medical care, farm subsidies, and innumerable other welfare programs.

Once the government begins to provide goods and services to some at the expense of others, each step of such intervention and subsequent taxation tends to disrupt the economy and lead to more and more regulation until the whole market structure collapses into total government control, as in Italy and Germany between World Wars I and II.⁵

How Bureaucracy Is Controlled

There are two ways in which a bureaucracy is controlled—the first is the law; the second, the budget. If a bureau doesn't spend all the funds allocated to it, its budget for the following year is reduced. Hence, to get more money the following year, the bureau must spend all that was allocated to it.⁶

This increase in spending has in many instances led to a prolifera-

tion of government programs. One need only look at the public assistance programs, at the increase in both the amount spent and the number of programs today compared with ten years ago to see the application of this principle.

This increase in government supplied goods and services naturally increases the number and dollar value of contracts being offered to industry. The vying for government favors in the form of contracts encourages industry to hire ex-bureaucrats as executives because of their influential contacts in the government; a certain result is bureaucratic management in industry.

Bureaucratic management doesn't measure performance by profits, but on how well a department follows the laws or rules and stays within its budget. A department that makes profits can measure performance by its profits and make rewards accordingly, but how is one to measure performance in a bureaucracy? In a bureaucracy one is normally promoted by one of two standards—seniority or personal friendships and influence. Neither of these standards encourages independence or initiative.

Performance and Profits

The method of promotion which does encourage innovation and in-

⁵ For further discussion of the inherent instability of "the mixed economy," see *Socialism* by Ludwig von Mises (London: Jonathan Cape, 1969).

⁶ For further insight into bureaucratic behavior refer to *Bureaucracy* by Ludwig von Mises (New Rochelle, New York: Arlington House, 1969).

dependence is by performance; and performance is measured by profits. While profits naturally serve as an incentive, they also serve as a form of economic calculation which can be used to demonstrate to the entrepreneurs the demands of the consumers. If an entrepreneur is successful in forecasting the demands of the buying public, he earns a profit; if not, he takes a loss. This is the market manner in which the most urgent wants of the individuals in society are satisfied.⁷

A manager under the profit system can determine whether or not his subordinates are performing well by the extent of black ink shown on the ledger of that department. If the department does well, its manager is rewarded accordingly. If a department manager is rewarded for successful performance, it behooves him to reward those individuals under him who contributed most to the success of his department to encourage increased innovation from them and to serve as incentive to others to do better than before.

How Bureaucracy Grows

Bureaucratization in industry is aggravated by a complexity of the laws, causing many large com-

panies to hire a staff of lawyers and tax accountants whose performance can't be gauged by normal industry standards — profits. This necessarily leads to the application of bureaucratic techniques to that department or group. There is no method by which to gauge the performance of the lawyers and accountants whose job it is to interpret and suggest methods to avoid lawsuits from interventionist measures and tax laws.

One can't determine success in negative terms of the lawsuits and tax suits not brought against the company. How is one to know how many lawsuits or tax suits might have been instituted against him? But he can know the amount of his profits or losses resulting from a particular policy or from the production of a certain product.

Thus, the lawyers and accountants who apply and interpret interventionist and tax laws add to the expansion of bureaucratic techniques in industry.

Since bureaucracy represents power, it follows that just as the Federal bureaucracy continues to expand, so will corporate bureaucracy. Bureaucracy in government has a vested interest in new laws and new bureaus to expand its power. In industry the vested interest lies in the acquisition of other companies. Thus, the arrival

⁷ *Profit and Loss* by Ludwig von Mises (South Holland, Illinois: Libertarian Press, 1951).

of a new phenomenon — the conglomerate corporation.

Reasons for Mergers

Conglomerate mergers are of two general types: (1) the bureaucratic-power-structure type, and (2) the tax-avoidance type. The former will supply the management for the newly acquired company, while the latter usually leaves the acquired company as before, with respect to both the management and operation.

It isn't mere coincidence that the conglomerate merger and the bureaucratization of industry recently have arrived together on the economic scene. These two — bureaucratization and conglomerates — have the same relation as germ and disease. It is the growth of bureaucratization in industry toward an increase of its "sphere of influence" that encourages the absorption of other companies. The bigger a company, the greater its "sphere of influence"; the greater its "sphere of influence," the more power it has.

In the tax-avoidance type of conglomerate merger the goal is the absorption of smaller companies which report operating losses or very low earnings, thus affording the parent company a tax break. In this type of merger, the parent company usually leaves the absorbed company intact, in-

cluding its management structure.

If the trend toward conglomeration continues, the theory upon which rests our complex and contradictory antitrust laws⁸ will be proven accurate, namely, Karl Marx's Concentration Theory. This theory states that companies will grow and grow by absorbing other companies, and competition will diminish until a "General Bull-moose" emerges who will control everything. This, Marx goes on to say, will finally break down and a communistic state will emerge from the ruins. This theory seems to describe today's trend toward fewer companies controlling a greater and more diversified production of goods and services. The mistake by Marx in this context is that he attributed the trend to the unhampered free market, whereas it stems in reality from the very controls Marx advocated.

The Mixed Economy Is Unstable

The grave danger in the merger trend is that the underlying structure is inherently unstable and leads to further government intervention in the economy and a further erosion of freedom. This unstable mixture of freedom and controls necessitates further intervention and inflation to support

⁸ See *Ten Thousand Commandments* by Harold M. Fleming (New York: Prentice Hall, 1951).

and maintain it. An example here may help to illustrate how these controls lead to still further controls, and so on until the economy collapses into total collectivism.

"Milk costs too much for poor people to pay; let us set a ceiling on the price of milk to lower it to a level which they can afford," argue the bureaucrats. This does lower the price, but it also has the further effect of lowering the profits of the milk producers. These lower profits drive out of business the marginal or least efficient dairy farmers, resulting in a decrease in the supply of milk. Next, the bureaucrats suggest, "Let us pay a subsidy to the dairy farmers to encourage the production of a sufficient supply of milk." This tends to encourage producers from related industries to shift their resources and energies to the production of milk. This increases the quantity of milk which tends to drive down the price, again to the detriment of the marginal producers. So the bureaucrats in typical fashion increase the amount of the subsidy. Increasing the supply of whole milk also may decrease the supply of butter, cheese, and related products, which leads to intervention in those areas, and so on ad infinitum. How such intervention is accompanied by inflationary boom and eventual

collapse need not be detailed here.⁹

If this trend is to be reversed and freedom regained, it will have to be through an understanding of moral issues, specifically the morality of freedom and its consistency with the nature of man and the practicality of the free market.

Coping with the Problem

To cope with the problem of the conglomerates, it is necessary to try to understand and attack the root causes. One doesn't reverse statism by fighting specific laws nor cure a disease by fighting the symptoms. To reverse statism, one must get at its roots. Since the root of any political system is the moral code upon which it rests, that moral code must be understood and challenged.

But simply understanding the moral code of statism, security and dependence, is not sufficient; one must *understand* and *practice* the moral code of capitalism, *freedom* and *independence*. The best way to prove a point is by demonstrating it; the best way to prove the validity of a moral code is by practicing it. The place to begin is with self-education and demonstration. ☉

⁹ See *America's Great Depression* by Murray N. Rothbard (Princeton, N. J.: Van Nostrand, 1963).

INFLATION

JOHN A. CLARK



AS EVERY ENGINEER KNOWS, there is no point in trying to solve a problem until it is at least defined and its controlling factors are identified. To this correspondent, monetary inflation or simply inflation, with which we are all familiar, is an example of a problem which seems to be very poorly defined and its causes not well described. If we are unclear as to the basic causes of inflation, there is little hope that any actions taken by the government, industry, or labor will be of much help in curbing its erosive effect. Judging from discussions in the public media, it appears that a great deal of confusion exists on this question of such fundamental im-

portance to our economy. Possibly this is one reason why so little progress has been made over the years in halting the sliding value of the dollar. There would be great benefit to everybody if the public had some clearer understanding of the causes of inflation.

The purpose of this communication is not only to express a certain viewpoint but also to stimulate some serious inquiry and discussion of this subject. There is no substitute for clear thinking and a rational and objective search for cause and effect relationships on this question. The writer does not pretend to be trained in economics but is experienced, as are most people, in some of its practical aspects.

Without intending to oversimplify the problem, let it be stated

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that inflation results primarily and directly from an increase in the supply of money and credit and has no other basic cause. It often is said that an increase in prices and wages (a wage is itself actually a price, the price of human effort or labor) is inflationary. Just how this is achieved has always been baffling to this observer. Increases in prices and wages by themselves cannot increase the supply of money or credit. Hence, one wonders on what basis their increase can be considered inflationary.

However, it is our general experience that "inflation" has always followed the various rounds of wage and price increases. Since it is the Federal government alone that has the exclusive right to print money and issue other types of money credit through the Federal banking system, one should suspect that it is the Federal government that is solely responsible for inflation.

A Feedback Principle

In a free-market system, increases in prices or wages simply diminish the competitive edge which a product or service may enjoy. The consumer either decides to pay the increased amount or, in competition with his other desires for products and services, he declines to pay. In the latter in-

stance, a producer must cut his production, labor force, and prices until his product can again become competitive in the market. Such a system has an automatic, built-in, and stable feedback loop operating on the critically important signals from the market — prices.

Unfortunately, today's market is not free in the sense of prices, wages, and money supply. Because of its unique monopoly on the issuance of money and money credit, the Federal government can and does interfere with the freedom of the market. This interference takes the form of upsetting the significance of the market signals — prices — by the printing of more money or granting of more credit than is really justified by the demands of the market. The natural consequence of this increased supply of money and credit is a corresponding increase in prices accompanied or followed closely by an increase in wages. As a result, whatever gain was accrued or thought to have been accrued by a wage increase is only temporary and is soon wiped out by the price increases. This sets the stage for another similar cycle of inflationary actions.

Another factor, similar in its effect, is the resort to the printing of money and issuance of credit to pay for the programs of the Fed-

eral government. The massive welfare programs, agricultural subsidies, and military expenditures are included in these.

One could argue that, so long as wages kept pace (or nearly so) with prices, money supply questions really make little difference, since by increasing the money supply wages and prices are more or less kept in balance. This would probably be true, if we all conducted our economic affairs on the basis of direct cash exchange for goods and services, something like Robinson Crusoe might have done, without any thought or planning for the future.

However, that is not the way people live. Economic life consists of investments and financial contracts, such as life insurance, mortgages, annuities, and the like, having a fixed dollar value which are usually started many years before they are paid out. In these instances it is clear that inflation has a disastrous effect on the real value at maturity. Consider what the real value a \$5000 life insurance policy taken out in 1940 has when cashed in 1970 in terms of the value of the money paid into it during the 30 years it was in force. Inflation has a similar effect on individuals living on fixed incomes, as is well known. This is perhaps the single greatest concern for older and retired people.

Search for Scapegoats

If the Federal government is the ultimate culprit in causing inflation the question is: Why does the government plead with the labor unions and industry to stabilize prices and wages when increases in these alone cannot cause inflation? The answer is partly political. If the government did not print more money and issue more credit, there would be insufficient funds to pay for the sum total of products and services at their increased prices. This would cause unemployment, it is argued, and probably undesirable and immediate political consequences.

Rather than waiting for appropriate market responses to price and wage increases, the Federal government unbalances the market with a flood of new money. The consequence of this is a general suffering by all, with the severest penalties being borne by those who are prudent, frugal, and thrifty and desire personal independence. Thus, not only are there purely economic questions involved here, but moral ones as well, since inflation discourages savings, investment, future planning, retards the spirit of careful husbandry of one's resources, and causes a loss in personal independence and self-reliance.

Accordingly, the thesis here is that inflation is really caused by

the artificial production of money and credit by the Federal government. Further, inflation will stop only when sufficient political courage is generated to reduce the Federal financial obligation and to resist the temptation to economic expediency by simply printing more money and issuing more credit. Monetary inflation is a

political disease which affects everyone adversely and is a direct result of government interference in the market place. The cure for this malady is increased freedom in the market, where voluntary and natural exchange is possible, and where all men are free to conduct any transaction so long as it is peaceful.



Unlimited Power

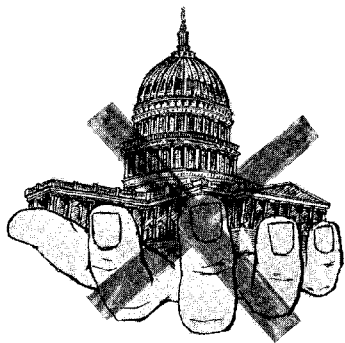
IF CONGRESS can apply money indefinitely to the general welfare and are the sole and supreme judges of the general welfare, they may take the care of religion into their hands; they may establish teachers in every state, county and parish, and pay them out of the public treasury; they may take into their hands the education of children, establishing in like manner schools throughout the Union; they may undertake the regulation of all roads other than post roads. In short, everything from the highest object of state legislation down to the most minute objects of police, would be thrown under the power of Congress. For every object I have mentioned would admit the application of money, and might be called, if Congress pleased, provisions for the General Welfare.

IDEAS ON



LIBERTY

HUGH WILLIAMSON of North Carolina,
Member of the Constitutional Convention, 1787



The Age of Authoritarianism

ROBERT K. NEWELL

THE THEORY of authoritarian government dominates all modern political societies. The theory states that individuals—or even individuals of like mind working voluntarily in concert—lack the scope of vision and means at their disposal to identify accurately their own best interests and to pursue them through individual effort. Therefore, the argument continues, all governments possess an intrinsic right to demand from those governed the authority necessary to direct human effort and resources toward the accomplishment of prescribed social goals.

The widespread assumption is that governments by their very nature have the wisdom and power to achieve these goals. People from all corners of the earth have come to regard the loss of political freedom and introspective moral

motivation that has accompanied the relentless march of authoritarianism as a necessary inconvenience that must be accepted in order to insure economic and social stability and to maintain the delicate balance of international terror that has come to be known loosely as world peace. Governments are freely allowed to increase their already vast authority due to the popular assumption that increased governmental power more rapidly will bring solutions to human problems. But, the illusive goals now seem more remote than ever.

Governments can, by decree, create temporary illusions of economic prosperity simply by manipulating the value of currency through inflation and interfering with the free market exchange of private enterprise. But the illusions of economic prosperity artificially produced by disrupting

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the basic laws of supply and demand are cruel indeed. Once the inflationary cycle has run its full course and currency becomes worthless, history amply indicates that the inevitable result can only be complete economic disaster and social upheaval.

Governments claim also to be the authors of civil order and social stability. The theory is that more stringent laws and more vigorous law enforcement, when coupled with more equitable welfare programs, can produce more responsible citizens. However, history and statistics seem not to support this hypothesis either. On the contrary, overt acts of passion and violence and especially crimes against private property have reached alarming and steadily increasing proportions. The trend toward the disregard for private property rights is world-wide. But the nations that are experiencing the most shocking increase in such crimes are the very nations that most enthusiastically have attempted to substitute government paternalism for individual responsibility.

There are, of course, in every community a few citizens who lack the mental capacity and moral judgment to live in civilized association with their fellow men. These few must be adjudged socially irresponsible and dealt with

accordingly. But the vast majority of people do have the ability to make rational and moral decisions. The dramatic surge of criminal activity that so alarms the civilized world can only be attributed to a fundamental change in basic attitudes toward the once-cherished concept of private property.

The Socialist Formula

The political precepts of all modern societies, in varying degrees, center around the Marxist governmental philosophy that every citizen must produce for society according to his ability and is entitled to receive from society in accordance with his needs. Governments simply function as economic intermediaries between the productive and the nonproductive elements of society and determine each citizen's capacity to contribute to the general welfare and the basic human needs that must be provided by the benevolent state.

New generations raised under this philosophy of economic distribution carry with them the ingrained notion that private property is only that portion of the national wealth that government arbitrarily decides is not immediately needed to promote the general welfare. Citizens morally raised to believe that they are, regardless of effort, entitled by birthright to their fair share of

the national wealth often are inclined to hold exaggerated views of their fair share. When, in their judgment, governments fail to move equitably enough or swiftly enough in the redistribution of the national wealth, it is only a small moral hurdle for these citizens to circumvent the often ponderous political processes of redistribution and appropriate "their fair share" more quickly by preying directly upon other citizens.

Civil order and social stability are not dependent upon laws and punitive reprisals, as governments are inclined to suggest. Only the criminally irresponsible can be controlled by such clumsy and ineffective devices. Rather, civilization ultimately depends upon the personal character of the morally responsible people who comprise the vast majority of any society. Once the general public becomes disoriented from the concept of private property, no amount of law and law enforcement can promote and ensure life, liberty, and domestic tranquility within society.

Of equal concern to modern man as he looks apprehensively toward his government for direction are the ever-present problems of war. Since the dawn of political history, coalitions of governments have aligned themselves dramatically

behind transitory issues. Forcibly conscripted armies have done battle with the enemy. But the survivors find that in the next decade as governments form new alliances and set the stage for the next war to ensure world peace and human freedom, hated enemies have been transformed through propaganda into warm allies; conversely, former allies have become identified as hated enemies. The tragedy of the military approach to human problems is that, after all of the sacrifices of countless millions of people in endless politico-military confrontations, humanity has found neither peace nor freedom. The survivors always are faced with even more perplexing problems than those that have been surmounted.

The Power to Rule and to Conscript Armies

All governments, regardless of their basic structure, philosophy, or method of perpetuation, share two common characteristics: (1) the oligarchic power to rule in a specific geographic area and (2) the unquestioned authority to conscript armies in order to extend or to defend such power in the endless game of altering geopolitical boundaries. Both peace and freedom depend entirely upon moral and responsible relationships between individuals. The

amoral and irresponsible relationships between governments—whether they be allied or placed in opposition to each other by the dictates of fleeting expediency—never can provide mankind with a hopeful future.

The politico-military war syndrome systematically destroys each newborn hope for world peace by first destroying political freedom and subsequently destroying the capacity of individuals to function as free moral agents. The war syndrome compromises human freedom by conscripting armies, instituting confiscatory taxes, increasing inflationary public debt, silencing opposition under the guise of necessity, and coercively diverting human energies into nonproductive and immoral channels. These processes in turn, by their very nature, further subjugate humanity to authoritarian political domination. Even in nations that profess to govern themselves constitutionally, the discretionary powers of the executive branch are extended arbitrarily whenever the international military situation can be used to justify such a course of action. When followed to its ultimate conclusion, the entire world-wide politico-military process, rather than ensuring peace, can only intensify human problems. This is done by forcibly converting the morally responsible

citizens of the world into acquiescing patriots under the complete domination of the autocratic few.

In all of the war-torn lands of the world, and Vietnam in particular, the governments involved seek in vain for areas of even superficial agreement. The fighting, killing, wanton destruction, and subhuman barbarism, for the most part, is performed on behalf of the governments of both sides by forcibly conscripted soldiers. The fact that all governments now are forced to depend increasingly upon conscripted armies to carry on the heinous and barbaric activities of war is a most hopeful sign that authoritarian domination of the human moral climate is on the wane. The moral introspection of individuals is quietly moving on the world political scene.

As mankind faces the problems of the future, there still is a strong tendency to search for solutions in the political ideologies that glorify the all-powerful politico-military state. But the great problems that confront mankind, whether they be economic, social, civil, or moral never can be resolved satisfactorily by such methods. The only true and permanent solutions must be founded on human relationships that have developed through the introspective morality of concerned individuals. 

Bet Your Life?

PAUL L. POIROT

tax that yielded \$26.6 billion of revenue in fiscal 1968 and \$31.5 billion in fiscal 1969 — sound enough to bet your future on it. And the reason why Social Security doesn't have to build up reserves or be fully funded, as does a private insurance plan if it is to be actuarially sound, is that taxpayers are automatically drafted and have no way to avoid paying the Social Security tax. They simply keep on paying — and at ever-rising rates!

So, when the experts tell us about the soundness of Social Security, they aren't talking about the actuarial soundness of an insurance program fully backed by invested reserves; they're speaking rather of the certainty of taxes — saying in effect: There's no more chance of a taxpayer revolt next year than there was last year.

The 1970's will mark the 200th anniversary of the latest effective taxpayer revolt in this land of the free. Perhaps there is little chance that it might ever happen again.

Yet, the percentage of earned income of individuals taken by government in 1970 is about double the rate of a third of a century ago when Social Security began. How sound is it to bet your life on tax revenues that will have to be collected at that high and accelerative rate?

WHILE three top-level government executives who make up the board of trustees of the Social Security trust funds were preparing their 1970 report, a top-level official of the Social Security Administration was assuring us: "You have every right to expect that they'll find Social Security as sound in 1970 as it was in 1969."¹ How often we've been assured of those twin certainties: death and taxes!

After 33 years under a Social Security tax that has galloped from 2 per cent on the first \$3,000 of earnings in 1937 (\$60.00) to 9.6 per cent on the first \$7,800 of earnings in 1970 (\$748.80), why should anyone doubt that it's here to stay? What these experts are really trying to tell us is that there must be something sound about a

¹ Russell R. Jalbert, "Sound Financing at Work," in the December-January, 1970, issue of *Modern Maturity*, p. 39.

Christian Charity

versus

Government Welfare

THOMAS L. JOHNSON

THE IDEA that government-sponsored welfare programs to assist the needy are compatible with, and justified by, Christian philosophy is probably the most widespread erroneous belief that permeates American society, and is hastening the destruction of freedom in the United States. This tragic flaw in the thinking of both well- and uneducated Christians has already brought misery to millions, and if this thinking persists in this country, it will result in economic chaos followed by political totalitarianism.

Government welfare programs, even those providing temporary relief, are in complete opposition to, and destructive of, acts of Christian charity and are totally inconsistent with Christian tradition.

One of the fundamental tenets of the Christian church is that the human is a creature possessing free will. It is because of the Christian recognition that man has control over his actions by means of his own will, that he is considered responsible for all of his actions. (Our system of jurisprudence is built upon this foundation.) It is also held that for a Christian to perform an act of charity and to gain the spiritual rewards for this act, it must be performed by the deliberate intent of the individual. An act of charity — an act of helping those in need — can only be a Christian act when it involves the application of free will.

It is the concept of free will that is absent from all forms of government welfare.

A government, by its nature, can only act by means of force. The first act of a government is a

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legislative one — the passing of laws — followed by the carrying out of these rules of social behavior by the executive and judicial branches. The government possesses a legal monopoly in the use of force in executing its duty of seeing that citizens obey the law, and in punishing them if they do not. Thus, the essence of government is coercion.

Opposing Procedures

Force and free will are opposites. Government welfare programs which are executed by means of law and the enforcement of this law, i.e., by the threat or application of force, are diametrically opposed to Christian acts of charity which must be performed by an act of the individual will.

Many Christians consider the support of government welfare programs to be consonant with the tenet of free will, and one often hears the expression: "I am a taxpayer, and therefore I think that such and such a program should be supported by tax money." Such individuals forget the fact that taxation is not a matter of individual choice and that all men are bound by law to pay taxes. They also forget that although they should have the right to designate how their own property is dispensed in charitable ventures, that they do not have

the right to make this choice for other men. A majority voting for a welfare program supported by tax money is inconsistent with Christian behavior, for it abolishes the act of choice (free will) of all those who voted against the program. (Such matters should never be brought to a vote for no man has the right to force others to support a welfare project.) True charity, without choice, is an impossibility, and when attempted, negates the concept of Christian love.

Every Christian realizes that he does not have the right to perform an act of charity at the forced expense of his neighbors — that he does not have the right to enter another's home and steal property that he intends to use in a charitable venture. But when the act of stealing is impersonalized by authorizing, by way of a vote, an established agency (government) to perform the confiscation for him, he loses a conscious awareness of the immorality of this practice.

As government welfare activity continues to expand at a phenomenal rate of speed, greater sums of money are required to support this "charity-by-force" undertaking. Taxation thus remains at a high level, with more of the tax dollars diverted to welfare programs, leaving little money in pri-

vate circulation which can be used for Christian charity. Government welfare action is, of necessity, destructive to Christian giving and will almost completely stifle voluntary acts of benevolence if the present trend continues.

Misguided Sense of Charity Supports Coercive Measures

Because of a lack of understanding of one of the basic premises of Christian belief — that of free will — and its application to acts of charity (welfare), most well-meaning, but misguided, Christians have vigorously or silently supported government welfare programs. Others, observing the disastrous consequences of legalized welfare — the demeaning of the human spirit and the creation of parasitical degeneration, as well as the enslavement of the productive members of society who are required, by law, to provide support for welfare recipients — do not wish to continue to uphold the cause of this evil (government welfare legislation). But they feel a strong sense of guilt if they do not do so, and fear that if they

oppose government welfare they will be considered as unchristian. In reality, nothing could be further from the truth.

Any Christian who does not openly and vehemently denounce all forms of government welfare, cannot, in truth, call himself a Christian, for government welfare is the antithesis of Christian charity. Government welfare operates on the premise of force, whereas Christian charity can only exist where there is freedom of choice — where there is an act of the individual will. Since government welfare programs are outside the control of the individual, and thus outside the realm of free will, they are outside the province of Christian morality and are consequently evil, and must be condemned by all moral men.

It is not only the right, but the duty, of every Christian to actively seek the demise of all government welfare programs, for they are in total conflict with the Christian doctrine which recognizes man as a being possessing free will — the fundamental premise upon which all Christian morality is based. 

IDEAS ON



LIBERTY

Goethe

TREAT people as if they were what they ought to be and you help them to become what they are capable of being.

John Adams

IT IS FOREVER being rediscovered that the American Revolution and the French Revolution were not birds of a feather. But the differences, which were profound, have not been communicated to the young. It is not only the Yippies, the Students for a Democratic Society, or the Black Panthers who try to make the American Revolution the spiritual ancestor of a thousand anarchic or collectivistic rebellions that have occurred since the Declaration of Independence in 1776. How many times have we heard it said, by Peace Corpsmen or whoever, that we should back the agrarians here, or the socialists there, because they are in "our tradition" of antipathy toward despotism? The assumption is that we should always be for rebellion for rebellion's sake, in the manner of the New Leftist defendant in Chicago who lectured Judge Hoffman for being an incarnation of King George III.

The fact is, however, that we have never had a revolution in America. Our war of independ-

ence was, as Peter Drucker pointed out a long time ago, an essay in counterrevolution, designed to save, or restore, a status quo founded on the English Common law, the Magna Carta, and the various petitions and declarations of right, that were, presumably, the possessions of any freeborn Englishman no matter on what side of the ocean he happened to reside. It was King George III who was the revolutionist.

Peter Drucker and Isabel Paterson told us this in the nineteen forties, Russell Kirk said it over again in 1953 in his *The Conservative Mind*, Samuel Eliot Morison always believed it, and now Anne Husted Burleigh gives it a vibrant documentation in her biography of our second President and greatest advocate of "liberty under law," *John Adams* (Arlington House, \$7).

A Rebel in Spite of Himself

This is a book that wrestles with tough distinctions very much as its hero, a ruddy, compact, puri-

tanical, Braintree, Massachusetts farmer and lawyer, wrestled with them through a long lifetime as a rebel *malgré lui*. Mrs. Burleigh knows how to take off on pleasant and flavorful passages, as when she writes about John Adams' return after ten year's absence in Europe to his Braintree fields to help move stone fences, inspect the orchards, and transact for new salt marsh acres along the shore south of Boston. But the circumstances of history necessarily made John Adams' long life a progression of duties, disputations, and defiances, and there isn't room or time for too much dalliance by the wayside. I would have welcomed more about the tartly refreshing Abigail, Adams' wife, or about his sons, especially young John Quincy, but if this had become a "life and times" sort of job it would have had, willy nilly, to expand into ten volumes.

The Advocate and Philosopher

Cleaving to the main thread, Mrs. Burleigh focuses her attention on Adams, the advocate, and Adams, the political philosopher. The men who made our Revolution had a most difficult job: they had to risk unchanging passions and, at the same time, maintain the instruments of law necessary to keep freedom from degenerating into anarchy, and anarchy from

breeding despotism. The idea was to preserve and to give new form to what was every Englishman's birthright. Like others in the party of liberty, Adams did not want to split off from England. He wanted to bring the British parliament to an admission that, as long as the colonists were not represented in Westminster, they should, as freeborn British citizens, be permitted to tax themselves. The colonists, according to the Adams view, owed their allegiance not to parliament but to the King.

A Beclouded Issue

The trouble was that the King himself had taken over parliament, so the distinction between duty to the legislature (in which the citizens of Massachusetts, Virginia, and New York were unrepresented) and duty to the Crown was meaningless. As a matter of plain fact, the American patriots had more friends in the House of Commons and even in the Lords than they had at George III's court. Chatham and Burke and Fox and Shelburne tended to agree with John Adams that the King's party in parliament had forgotten that the Commons itself had once revolted against taxation without representation. If the King could not be appealed to as a defender of Boston, New York, Philadel-

phia, and Williamsburg colonial Britishers against parliamentary usurpers, then legality itself demanded armed resistance.

So the die was cast, largely because John Adams' rigorous logic could not be dodged by the group of men in Philadelphia who were determined to hang on to their British rights. By this time John Adams had begun to talk more about natural rights than the rights of Englishmen. He had come to see that he must base his political thinking on the nature of man, not on the accidents of historical development in one small island off the northwest coast of Europe.

Natural Law

Mrs. Burleigh has, inevitably, to come to grips with two varying eighteenth century conceptions of natural law. The French revolutionary philosophers did not go to human history to discover what was distinctively and naturally human; they tried to base their theories on the new sciences. Adams took the older tack, one that would have been understood by the Roman stoics, or St. Thomas Aquinas, or the Greeks themselves. He knew there was a moral sense in man that transcended physics. Even while he was performing his diplomatic duties for his newly fledged na-

tion in London and the Netherlands Adams was busy working up an answer to the Frenchman Turgot's theories that a simple democracy, with the executive, legislative, and judicial functions united in a single assembly, was the appropriate governmental form for a free people. In three volumes Adams proved to his own satisfaction — and incidentally to his fellow patriots — that an all-powerful unicameral legislature would quickly degenerate into a tyranny of the majority, with faction despoiling the propertied and all pursuit of virtue coming to a halt along with the efforts of the individual family to achieve self-reliance. The first of Adams' three volumes came out in time to affect the deliberations at the Federal Constitutional Convention in Philadelphia. It had a big influence.

The Presidential Years — and Beyond

Adams, an indifferent politician in the party sense, had a rather miserable time as President. He was never easy in his own mind about enforcing the Alien and Sedition laws which the extreme Federalists had forced upon his Administration, he didn't relish a standing army (he preferred naval defense for a commercial republic), and he distrusted the clamor for war with France. He threw

away a second term in the White House by his moves to end the "quasi-war" with the Paris revolutionary regime, thus splitting the Federalist Party and guaranteeing the victory of Jefferson's Republicans in 1800. Adams had the last word in his battle with the Hamiltonians when he appointed John Marshall, the most powerful Federalist in the South and an enemy of the Alien and Sedition laws, as Secretary of State, and he managed to get his peace with France on American terms.

But after the death of George Washington in 1799, there was no cement to hold Federalists together. The Jeffersonians were to rule for a generation until John Quincy Adams was to become President, the only instance in U.S. history of a son following the footsteps of his father into the White House.

Most books about John Adams — see Catherine Drinker Bowen's *John Adams and the American Revolution*, for example — are content to deal with facets of a life. After all, Adams lived for ninety-one years, and there is reason behind Mrs. Bowen's contention that the "whys" of such a span cannot be explained in a single volume. But Mrs. Burleigh really carries it off. There is much that she leaves out, but the marrow is all here.

► **MAN vs. THE WELFARE STATE** by Henry Hazlitt (New Rochelle, New York: Arlington House, 1970, 225 pp., \$6.00)

Reviewed by Bettina Bien

OBLIVION is the fate of most newspaper commentaries, by burial in dusty library archives or by reduction to microfilm. However, at least one economic journalist — Henry Hazlitt — writes commentaries which deserve a better fate. He discusses political policies on the basis of fundamental economic principles which do not change. Government programs may pass out of existence, be amended beyond recognition, or forgotten in the rush of new legislation, but his columns are usually so basic that they would still appear fresh and up-to-date years later if republished then with minor changes in statistics, names, or program titles.

Henry Hazlitt is well known to FREEMAN readers. His *Economics in One Lesson*, first published in 1946, has become a classic, an economics "best seller." Libertarians should cheer this new compilation of his writings.

When Mr. Hazlitt pinpoints the merit or error in an economic problem, it all seems very simple. His ability to puncture the absurdities of interventionist politi-

cal policies with a single telling thrust is apparent when he talks of minimum wage laws: "We cannot make a man worth a given amount by making it illegal for anyone to offer him less. We merely deprive him of the right to earn the amount that his abilities and opportunities would permit him to earn, while we deprive the community of the moderate services he is capable of rendering. In brief, for a low wage we substitute unemployment — [Thus] it ought to be obvious that minimum wage laws hurt most the very people they are designed to 'protect.'" How can anyone comprehend this brief statement and still advocate minimum wage laws? Yet politicians continue to boost the hourly wage rate employers must legally pay workers hired for almost every kind of work. On February 1, the Federal minimum hourly wage for many unskilled jobs was raised to \$1.45, up from \$1.30. As Mr. Hazlitt points out, this extra 15¢ cost per hour of labor hired must keep some persons from starting new enterprises or expanding established ones, with a consequent loss to consumers of additional goods and services. Those who might have earned a pittance now face a greater likelihood of indefinite unemployment and dependence on the benefaction of government welfare offi-

cials, with inevitable loss in morale.

Mr. Hazlitt explains that monetary problems are a product of the welfare state. "The truth is," he writes, "that no solution of the monetary problem, national or international, will be possible until inflation is stopped, and that it will not be stopped as long as we have the welfare state." To promote "prosperity," government officials reduce the interest rate to make it easier for businessmen to borrow. But this tactic fails in its objective for "the lower interest rate encourages more borrowing, which tends to raise the rate again. And the increased amount of money and credit starts pushing up prices and wages. This forces businessmen to borrow still more, if they want to continue to buy even the same volume of inventories and employ even the same number of workers as before, to do the same volume of business." Ignorance of this commonsense truth permitted a "boom stimulated by easy credit and cheap money" to set the stage for the 1929 stock market crash. Ignorance of this simple commonsense explanation persists today among most monetary "specialists."

Mr. Hazlitt describes prices as "indispensable signals" which "must tell the truth about supply

and demand." Inflation distorts price relationships and so interferes with the calculations of both producers and consumers. Legal controls on "prices" upset calculations also. So do "voluntary restraints" and government "guidelines," for they "falsify the signals and disorganize and unbalance production. Monetary inflation is a dreadful thing. But what does immensely more harm than the inflation itself is the attempt to conceal or suppress its consequences through price and wage controls."

Again and again, Mr. Hazlitt illustrates his basic thesis — that the welfare state destroys incentive. The need to work, produce and take care of oneself, as is expected in a free market, provides the incentive for increasing production, thus improving everyone's welfare. Government programs requiring "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" weaken incentives all around. Everyone is discouraged from putting forth his best effort. Producers who face taxes on earnings slow down. The "incentive" of could-be producers to qualify for government hand-outs is substituted for the incentive to work and be independent. This in turn stimulates the incentive of politicians to garner votes by offering increased government

largesse to those who opt to become nonproducers.

In discussing the impossibility of such a situation, Mr. Hazlitt refers to John Kenneth Galbraith's thesis of "private" and "public" sectors. Hazlitt prefers the terms "voluntary sector" and "coercive sector" as more descriptive — the voluntary sector "made up of the goods and services for which people voluntarily spend the money they have earned," the coercive sector "made up of the goods and services that are provided, regardless of the wishes of the individual, out of the taxes that are seized from him.

"And as this [coercive] sector grows at the expense of the voluntary sector, we come to the essence of the welfare state. In this state nobody pays for the education of his own children but everybody pays for the education of everybody else's children. Nobody pays his own medical bills, but everybody pays everybody else's medical bills. Nobody helps his elderly parents, but everybody else's elderly parents. Nobody provides for the contingency of his own unemployment, his own sickness, his own old age, but everybody provides for the unemployment, sickness, or old age of everybody else. The welfare state, as Bastiat¹ put

¹ Frederic Bastiat (1801-1850), French deputy and economic journalist.

it with uncanny clairvoyance more than a century ago, is "the great fiction by which everybody tries to live at the expense of everybody else." The effect of such a State on incentives — to produce, not to produce, and to compete for votes with offers of higher government handouts — becomes obvious.

The book concludes with two very practical chapters — "The Task Confronting Libertarians" and "What We Can Do About It." Mr. Hazlitt quotes his friend and mentor, Dr. Ludwig von Mises: "Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping toward destruction. Therefore everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historical struggle, the decisive battle into which our epoch has plunged us."

The problem is to displace the visions of instant utopia-via-the-ballot-box with voter understanding of the dangers inherent in a State by which everybody tries to live at the expense of everybody else. Unfortunately there is no

"instant understanding." It takes time and effort to persuade people that the State is not "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."

► **DESIGN WITH NATURE** by Ian L. McHarg (Garden City, New York: The Natural History Press, 1969, 197 pp. illustrated, \$19.95)

Reviewed by Dayis Muth

A READER favorably motivated by this review will face one real problem: getting hold of the book. Not only does it cost twenty dollars but the bookstores can't keep it in and the libraries can't either. The second edition scheduled for April certainly won't last long, so timely is the appearance of a major new work on human environment.

Handsomely laid out, intelligently organized, passionately written, and almost defying brief analysis, *Design with Nature* is the product of a discerning and vigorous mind as it attacks one of the great challenges of our era — how to keep man and nature in balance.

While study of the question goes on apace, Ian McHarg's book, synthesizing and introducing the total "ecological view," may be the

cream of today's utterances. It is a magnificent, poetic effort, offered simply as "a workman's code . . . an ecological manual for the good steward who aspires to art."

As it becomes accepted, McHarg is sure this view can revolutionize — rehumanize — the American city and landscape. Through sheer truthfulness it is "able to perform prodigies of work." By considering nature as guide and ally rather than mere raw material or enemy, it places pollution, the vanishing wilderness,¹ ugliness, and urban misery all in manageable perspective, and offers workable remedies.

That the author should present this ecological view without driving for large-scale governmental action is part of what merits attention. For McHarg (not without the occasional firebrand hurled over the wall) stays impressively within his competence. He glances at economics and politics — and his impact is such that we should reckon with these glances — but he leaves economic and political concerns largely to his readers.

Whether the public energy, galvanized by such men as he, will be channeled into frantic legislation and freedom-shriveling Federal

programs, or into more enlightened individual and community efforts, we are probably at the point of witnessing. Or deciding. If libertarians act on the alarm-signals, thinking through applications of a sound attitude toward nature, environment, and man's responsibility to man in this context, the swelling only-Big-Government-is-big-enough-to-do-it forces may be outwitted. Reading *Design with Nature* will give us impetus.

Ian McHarg, 48, a black-haired, bearded Scot, is founder and head of the University of Pennsylvania's Department of Landscape Architecture and Regional Planning, the vanguard of ecological planning in this country. He is also principal in a Philadelphia firm that enables him to combine theory with far-ranging practice. Already widely known by his writings and television appearances, he is a man in every way equipped to be enormously influential.

Neither in depth nor in detail does his vision lack acuity. He presents ecology in terms as fundamental as religion and as microscopic as bacteria. He delivers a piercing rejection of the "Judaean-Christian, man-centered theology" that conceives man's dominion as trampling down nature, and searches for a religious concept to support an operating balance between man and nature. Having

¹ For valuable discussions of conservation *per se*, see THE FREEMAN, July, 1962, "Who Conserves Our Resources?" by Ruth Shallcross Maynard; and *Essays on Liberty*, Vol. XI "The Greatest Waste," by Paul L. Poirot.

adopted a "quietly deferential" pantheism as his own working hypothesis, he defines man's place as within, not above, organic nature: privileged part—and partner—and not conqueror. To him, "subdue the earth" is a sacrilegious phrase.

He would have us understand nature as process; recognize and cooperate with the self-regulating quality of our earthly inventory as did (intuitively) the handful of great eighteenth century architects who designed the English countryside, and as do (philosophically) designers of the Japanese garden tradition.

With devastating logic McHarg points out the irrationalities of most of today's city planning. "The problem," he says, "is to apply *ecological* planning principles and test them against the demands of metropolitan growth and the market mechanism." And this he and his associates do, where they are called. Skillfully mapped and reasoned case-studies, as well as choice photographs, fill the book. One walks step by step through the Staten Island Study, the Comprehensive Landscape Plan for Washington, D. C., the Potomac River Basin Plan, the Richmond Parkway Plan, the Plan for the (Baltimore County) Valleys. One sees the ecological method brought down to earth—or up from it.

Seven postulates are applied in

a regional planning situation: (1) Development is inevitable and must be accommodated; (2) uncontrolled growth is inevitably destructive; (3) regional characteristics should govern development; (4) observing conservation principles can avert destruction and ensure enhancement; (5) a given area can be planned so as to absorb all prospective growth without despoliation; (6) planned growth is more desirable than, and as profitable as, unplanned; (7) public and private powers can join in realizing a sound plan.

McHarg's philistines are the fragmentary zoners and planners, rapacious shortsighted developers, highway commissioners with their "narrow purposes," government engineers, parking authorities, irresponsible industrialists, impatient sellers of land, and any others ignorant of the natural processes they affront and blind to all but the short run. Human society, not to mention nonhuman, suffers the blight and waste accumulating from their Goliath unawareness.

His David is the landscape architect-regional planner trained in ecology who can be retained by city or county government, by private industry or by private real-estate syndicate. Through teamwork and exhaustive study this artist-scientist produces de-

tailed map-transparencies showing every characteristic (both tangible and cultural) of the chosen geographic region. At length he holds up a harmonious plan, "an interfusion of open space and population," — varied, practical, apolitical, and aesthetically pleasing, in which natural processes help with the housekeeping and beauty is self-perpetuating.

A degree of public understanding is needed (as friends of liberty know) to achieve and to maintain rational victories over haste, selfishness, and ignorance. Such understanding, reasons McHarg, will make it possible to incorporate simple ecological lessons into common-sense ordinances and enforce them.

Still, as the libertarian's head turns back and forth between the self-enforcing laws of nature and proposed new human laws, he senses that great caution is required:

Those who are unaware that government is society's legal agency of coercion, and who, in consequence, believe that it is simply a committee arrangement to accomplish certain social goals, will not be concerned with the problem of government's limitation. To the contrary, they will thrust new functions onto government.²

Boundary-dissolving environmental problems and thoughtless human behavior seem to suggest new work for government. But if we keep clear on what are appropriate government functions at each level, what are appropriate areas for intergovernment cooperation, and what threatens to go beyond these into baneful centralized economic and social planning, we can keep from neglecting our hope of government's limitation.

Taking the premise that government's proper role is to inhibit destructive actions, invoke a common justice, and keep the peace, one can only recall the saying of the poet that new occasions teach new duties. Control through city or county ordinance of now-apparent public hazards arising from improper use of air, water, or land would appear to be a legitimate government function — as would adjudication by the courts of individual damage cases.³ That regional planning councils should gather the information on which this regulation is based would seem to be the logical corollary. Such councils are usually advisory, non-enforcing, and locally funded (at least in part); they are, however, empowered as the receivers and expenders of Federal planning

² From "What Can We Know?" by Edmund A. Opitz, FEE School Lecture, July, 1963.

³ See "Unknown Costs of Pollution," by Howard Callaway, THE FREEMAN, November, 1969.

grants under various departments of the Executive, with whatever authority those imply.

There is no easy formula, the way things stand. To remain a pure-minded libertarian amidst environmental crises may take a rather careful combination of several ingredients: (a) responsibility for the consequences of one's own uses of air, water, and land; (b) support of community and regional planning endeavors so as to *keep* them cooperative, voluntary, and local; and (c) highly selective endorsement of those elements in national policy which line up with proper use of the police power.⁴

In all three ingredients the concept of private property remains crucial. It undergoes something of a moral broadening when "downstream" and "crosswind" effects of one's use of his property are conceded to be part of the responsibility and cost of ownership. Not that the public claims all resources or has a right to dictate what a man does with his own land. Rather that each man has a moral obligation, implicit in law, to be sure that his uses are wise and do not harm others even indirectly. Private pleasure and the general

good will be less at odds when both are measuring against a long-range standard, and ecology can help to make that standard explicit.

If we are solving environmental problems regionally and voluntarily, perhaps the national clamor can be contained, and attempted macro-solutions for these problems can be forestalled.

Without passing judgment on Ian McHarg's theological position, one finds great utility and inspiration in his views. By his own compassionate outlook he illustrates the actual nature of man's dominion over the earth: not arrogant, self-centered, and callous, but self-controlled, humble, aware.

► **THE POLICE: DAMNED IF THEY DO, DAMNED IF THEY DON'T** by Herbert T. Klein (New York: Crown Publishers, Inc., 252 pp., \$5.95)

Reviewed by Robert M. Thornton

A YOUNG FRIEND of mine was stranded in an unsavory neighborhood during the wee hours of the morning. Someone had siphoned gas out of his tank, and on his way home his car stopped. Imagine his relief when a cruiser happened along and the police drove him to a service station and then back with a can of gas. Is this a rare experience, being helped by the

⁴ How difficult this last may be under our present thriving conception of national government is suggested in Chapter 1 of Leonard E. Read's 1969 book, *Let Freedom Reign*, "The Pollution Problem."

police? Not at all, but perhaps we need reminding that a large part of police work is helping citizens in distress, and it is one virtue of Lt. Klein's book that it emphasizes all the good and necessary acts performed by the police: looking after lost or strayed children, directing traffic near schools, helping deliver babies, administering first aid to the sick and injured, assisting stranded motorists, giving directions to lost persons, and so on. When we stop to think about it, haven't most of us been in situations where we were very glad indeed to see a shining badge or blue shirt or blinking red light?

This book doesn't offer any sensational exposés, but it does give us an insider's view of how the police force of a large city operates, its successes and failures and frustrations. And it has some wise words on juvenile delinquency and parental responsibility, riots and welfare, and police responsibility and authority. Drawing on twenty-five years experience with the New York Police Department, Lt. Klein has a fund of stories to illustrate his points.

One of his contentions is that while there may be a few cops who are crooked or brutal or inefficient, the great majority do a good job, especially when one considers the nature of the policeman's role. Re-

flect a moment: We expect policemen, although regularly in contact with outlaws and outcasts, and subject to peculiar temptations, to keep themselves morally spotless. We expect them to be calm and objective no matter what the provocations. They have always had to bear the abuse of lawbreakers, but today the police are also abused by politicians, public officials, and even some law-abiding citizens. Years ago, writes Klein, a policeman could make an arrest in, say, Harlem, and not only suffer no interference from local residents but even be offered assistance in handling the accused lawbreaker. No more.

This is not a healthy situation. When we assault policemen, whether verbally or physically, we contribute to the chaos that fills the vacuum left by the decline in law and order. People can hardly function, let alone thrive, in a condition of chaos; so there will always be a demand for order. The real question is not order vs. no order, but what kind of order? The order of a self-governing people who respect the law, aware that its equitable enforcement protects every man's rights? Or the order imposed by a Napoleon who is not bound to respect anyone's rights? One is the static order of a slave camp; only the former is proper to a nation of free people.

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CLARENCE B. CARSON

Throttling the Railroads

I

The Railroad Problem

AYN RAND put her finger adeptly on the jugular vein when she focused attention on the railroads in her novel about the economic breakdown in the United States, *Atlas Shrugged*. Surely, the colossus of the Western Hemisphere, the United States, rose to eminence in the world on the grid-work of steel rails that spanned its length and breadth and reached out like fingers to touch the farthest corners of a vast half-continent. Before the coming of the railroads, to speak of a *United States* was to speak in the hyperbole of politicians and dreamers. These United States were separated by great chains of moun-

tains, by formidable bodies of waters, by natural obstacles which carved the country into regions, sections, isolated valleys, and vast well-nigh untappable hinterlands. Railroad builders sought out the mountain passes, followed the cuts made by streams through the ages, bridged the rivers, and laid the rails across the stretches of flatland. They united the states commercially, politically, and, mayhap, fraternally.

Indeed, the American railroad system is one of the marvels of the modern era. There were 23 miles of track within the United States in 1830; by 1920 there were 252,845 miles. Most of the trackage was laid between 1870 and 1910, in one of the most pulsive construction programs ever

Dr. Carson is a frequent contributor to THE FREEMAN and other journals and the author of several books, his latest being *The War on the Poor* (Arlington House, 1969).

undertaken in history. By the early twentieth century, virtually every town and hamlet in the country was either on or within a few miles of a railroad, and most towns of any size had service by two or more railroads. Cities were frequently served by a half-dozen or more companies, two or more of these frequently connecting with the same distant points. Peoples and goods moved over these lines with speed and safety which a few generations before could hardly have been conceived.

In a recent advertisement, the Association of American Railroads attempted to evoke a sense of the marvelous character of this means of transportation. It read, in part:

Suppose that everybody in the United States were to learn for the first time about a marvelous method of transportation called a railroad.

The idea would be sensational.

High-speed tractors running on steel rails laid on privately-owned rights-of-way, with minimum curves and grades, would be capable of pulling long processions of trailers full of merchandise. Imagine!

Trains of trailers would be kept rolling day in and day out until they reached their destinations. They would be shuttled into and out of marshalling yards, where the trailers would be grouped in the right combinations. Of all things! . . .

The high-speed tractors on their twin ribbons of steel could even haul

human beings, in addition to freight. If necessary, the human being could be bedded down and hauled from one place to another in special cars with comfortable seats and all the comforts of home.¹

A Waning Romance

Americans have not always been oblivious to the marvels of the railroads, of course. On the contrary, many have long been fascinated with this way of transporting people and goods. A good case could be made that many Americans have had a long romance with the rails. The story of the railroads is deeply entangled in American lore, legend, and history: the buffalo hunters, the clashes with the Indians, the rush of the railroad crews to lay rails into the West, the driving of the golden spike at Promontory Point to celebrate the linking of the Union Pacific and Central Pacific, the bigger-than-life gangs of train robbers — epitomized by the James boys —, the ballads such as "Casey Jones" and "Wabash Cannon Ball." The steam engine was itself a thing for wonder and awe: steam spouting from its sides as it stood in the station, its lonely whistle in the night, the huffing and puffing as it made a long grade, its

¹ Quoted in John F. Stover, *American Railroads* (Chicago: University of Chicago Press, 1961), p. 248.

long sigh to let off steam as it came to a halt. Even the mighty diesels, while not so romantic as the steam engines (probably because they are still with us), could cause heads to turn and voices perforce to cease or be unnaturally raised as they roared by.

The railroads capitalized on this interest and tried to build excitement by the names they gave to their crack passenger trains in the twentieth century, names which suggest that the trains soar, ramble, move swiftly, and fly as they rush to make their destination against the clock, names such as Twentieth Century Limited, Silver Star, California Zephyr, Spirit of St. Louis, City of Los Angeles, South Wind, Sunset Limited, Empire Builder, Super Chief, and Rocky Mountain Rocket. Even some freight trains have been given special names; the Milwaukee Road calls a westbound fast freight the XL Special and its eastbound counterpart the Thunderhawk.

Even so, the railroad advertisement is probably right in what it implies: the American people are no longer generally enamored of the railroads. They have spurned many of the rail services with alacrity and taken much of their custom elsewhere. Even the mention of railroads evokes a faint nostalgia in response. The im-

pression grows that they are obsolete, that their ribbons of steel stretching off into the distance are becoming mute monuments to days gone by, their passenger stations relics of other times, their forms about to be reduced finally to toys in the basement and Sunday rides on narrow gauge lines to old abandoned mines. At any rate, the railroads are in trouble. As one writer puts it: "There can be no doubt about the severity of the railroad problem facing the nation in the sixties."² The railroads have had a long-term trend of declining traffic, both passenger and freight, though the decline in freight has sometimes been only in the proportion of total freight hauled. Service has been increasingly curtailed. Railroad stocks have long failed to respond even to proportionally higher dividend-to-cost ratio than most other stocks. These are the almost invariable signs of a dying industry.

Still Essential for Transport

Yet, the railroads remain an essential method of transport in America. Not only were they once crucial to the commercial unity of America; they still are. It is true these United States are now linked together by highways over which gasoline engines pull trucks and

² *Ibid.*, p. 47.

automobiles, that these highways, presently being supplemented by an interstate system, reach more places than the railroads, and that any city of any size has many which form junctions within its borders. But these vehicles which travel on the highways are an increasing source of trouble themselves. They pollute the air; they converge on the cities at certain hours of the day constricting movement and raising tempers; parking places for them become ever more costly and difficult to find. Trucks increase in number and size on the highways, vying with automobiles for travel space and increasing the peril of travel. The carnage on the highways is so great that anyone sensitive to the propaganda about it must set out even on a vacation trip in an automobile with considerable apprehension.

If that portion of the freight now carried on trains should suddenly be shifted to the highways, the pace of traffic would be drastically slowed and much that now moves that way could hardly find a place. We are already experiencing the impact on highways of the shift of passenger traffic from trains to private cars, for the most part; what it would be like when freight should be as preponderantly shifted to the highways as are the passengers can only be left to

the imagination. As things stand, many cities probably could not survive such a shift; many of them are already marginal as places to live, and transport is one of the major reasons. This is why the railroads remain an essential method of transport for America. Yet, the long-term trend in a shift away from them is now well established.

Deterioration in Quantity and Quality of Service

Why should this be? To the casual observer or unwitting customer it often appears that the railroads are their own worst enemies, that the management and personnel are directly to blame. Those who use the railroads frequently get the impression that the roads are determined to be rid of them. This is most noticeably the case with passengers, but users of freight service of certain kinds may get a similar impression. Anyone who has ridden the trains often in the last decade or so probably has his own list of complaints. The list will most likely include such items as reluctant ticket sellers, difficulties in acquiring information, late departures of trains, late arrivals, surly employees, inconvenient schedules, dilapidated equipment, long walks to cars past a long line of cars for mail and parcels, lackluster sur-

roundings from beginning to end of journey, and so on.

Stories abound of horrendous treatment of passengers by the railroads. The present writer has seen a restroom in a passenger station to which entry could be gained only by dropping a coin in a slot, has heard a porter utter such streams of profanity about the difficulty of getting a woman's luggage from one train to another that she offered to carry it herself to shut him up, has had his rest disturbed by noisy "dead-head" railroad employees on several occasions, and has seen any number of waiting rooms sufficiently gloomy to discourage all but the most intrepid traveler by rail.

Some of these might be only individual instances of poor service which can happen in any undertaking. But there is much testimony that they are of a kind that occurs all too frequently on the railroads. One writer notes that "except for a few crack transcontinental and other trains, the quality of service rendered has deteriorated compared with prewar [World War II] years. . . . Trains are frequently late; coach equipment is often old and sometimes dirty and poorly ventilated and heated. Many prewar standards of courtesy have gone, even in parlor and sleeping cars. . . .

On some of the best coach routes, the railroads use obsolete passenger train cars and treat customers as though the carriers were doing travelers a favor to transport them."³ Another says, "The public sees the railroads as old fashioned . . . , and as common carriers who hate passengers."⁴

Suicidal Practices

It certainly looks as if the railroads were trying to commit suicide. They have low advertising budgets compared with other businesses; the uniforms of their personnel appear to date back to the beginnings; their passenger stations frequently appear to be a combination of late Victorian grandeur gone squalid and early government housing projects; their freight stations are often a poor imitation of a down-at-the-heels hardware store. The following are instances of how railroads have alienated passengers:

Take, for example, the process of calling on the telephone for some scrap of information about a passenger train. . . . Some railroad clerks are evidently instructed to take their phone from its cradle, or hook, and then to forget it. . . . Other railroad clerks, themselves impervious to

³ James C. Nelson, *Railroad Transportation and Public Policy* (Washington: The Brookings Institution, 1959), p. 321.

⁴ Stover, *op. cit.*, p. 251.

minor irritations, simply ignore a ringing phone, hour after hour. . . .

Another stratagem is the disruption of train schedules. . . . Suppose you wish to travel overnight by train from Washington to Memphis. There is no through service, but the Southern Railway has a Birmingham Special that arrives in Chattanooga at 8:10 A.M. or ten minutes *after* the train to Memphis has left. The Southern Pacific's Sunset Limited has been so rescheduled that, eastbound, it no longer connects at New Orleans with the Gulf Wind . . . , westbound, the Sunset leaves stranded in New Orleans for about fifteen hours those passengers coming from the east on the L and N's Crescent or the Southern Railway's Southerner.⁵

While freight traffic is not so cavalierly treated, many small communities have lost their agents, and many kinds of package freight do not appear to be much wanted.

Not all railroads have been so disdainful even to their passenger customers. But even those who have continued to serve long distance and commuter passengers well often say that they are losing money. Lately, a considerable movement has been mounted for governments to subsidize passenger trains, and some of this is already being done.

⁵ Peter Lyon, *To Hell in a Day Coach* (Philadelphia: Lippincott, 1968), pp. 267-68.

A Puzzling Performance

There are two enigmas here. In the first place, it is not usual for businesses to discourage customers and treat them as if they were not wanted. Private enterprise succeeds by serving customers and by gaining and keeping their good will. Even losses may be sustained to provide certain kinds of service in order to gain profitable custom. When businesses behave otherwise, this behavior requires explanation. The second enigma is why any good or service that is widely needed and wanted cannot be profitably provided. Commuter trains, for example, may be filled to overflowing during rush hours, but many railroads no longer wish to operate them. Transportation is not the only area where the provision of vital goods and services has sometimes become unprofitable (others would include food provided by farmers and rental housing), but it is certainly a crucial one today. This is, to say the least, enigmatic.

There is, of course, an explanation. To get at it, it is necessary to look into the history of the railroads. Even the most casual student of American history will recall certain facts related to railroad history. Even the most general history of the United States will probably mention land grants to railroads, the Railway Strike of

1877, the Interstate Commerce Act, the Pullman Strike, the Northern Securities Case, the government take-over of the railroads in World War I, and the Transportation Act of 1920. In short, what the casual student may discern with a little reflection is that there is a long history of government involvement with and intervention in the affairs of the railroads. Deeper examination will show the impact of this on the railroads and provide explanations for the strange situations that have developed.

A Vital Service in Decline Plagued by Intervention

There are three fundamental reasons, then, why anyone undertaking to write an anti-utopian novel about the United States, as Ayn Rand did, might well focus on the railroads; and they are reasons why a historical study of the railroads is warranted. First, the railroads were crucial in providing a means for commercially uniting the states, and are a still vital part of the transportation network of this country. Second, they have been in trouble for a considerable while and have suffered a long-term decline. This has brought in its wake a host of other problems already alluded to. And third, there is a long history of government intervention in rail

transport with all its ramifying effects.

Indeed, the railroads are the classic example in American history of the impact of government intervention on a business. They have had the longest history of intervention by the Federal government of any modern business. Theirs was one of the earliest instances of extensive subsidies to more or less private undertakings. The first strike to have an impact on a goodly portion of the country was against the railroads—the Railway Strike of 1877. The first general act to regulate interstate commerce and the first national regulatory commission was aimed at the railroads—the Interstate Commerce Act and the Interstate Commerce Commission. One of the earliest applications of the Sherman Antitrust Act by the Supreme Court against a portion of an industry was made against the railroads in the Northern Securities Case. The railroads were the first private industry to be taken over and run by the Federal government for a time—during and after World War I. In short, except for banking and the delivery of the mails, the railroads have probably the longest history of intervention of any major business in the United States. Nor is there any better place to study the debilitating effects of this.

Since some may suppose that government subsidies and aids were helpful in getting the railroads underway, and since a new era of subsidies portends, it will be well to begin the account with the building of the railroads and explore some of the varied effects of this before taking up regulation and control. 

Next: Aiding the Railroads—1830-1871.

Learning by Doing

IDEAS made possible our nation's growth. We are a venturesome, valorous, risk-taking people who backed ideas with savings.

IDEAS ON



LIBERTY

If the labor unions would back their ideas with the money collected from their dues-paying members and, instead of striking against business, go into a business for themselves and prove that they can operate it—can run full time at all times, pay higher wages than present management, have shorter hours, better working conditions, and make enough money to keep operating and pay their shareowners (dues payers) a fair return on their investment—they would get a better education in the relationship of profits to jobs and job security, to the standard of living, and of productivity to wage increases.

Steel men, automobile men, coal-mining men, mill owners, and hundreds of others have twitted unions to make good their claims to buy a company, run it, and prove they can do so better than those they now criticize and strike against. It's wide open, and all can step in and try it. But, Mr. Unionman, don't overlook the 52 per cent Federal tax on profits.

The big unions are reported to have millions of dollars on hand. Why not buy a company, and run it, and prove that wages can be increased without setting the stage for higher inflation?

THE --- PROBLEM ---

DEAN RUSSELL

THE MOST difficult part of solving a problem is usually the identifying of the problem itself.

I observed this difficulty in an extreme form as a recent "witness" on the TV program, "The Advocates." The issue was non-military foreign aid, and I was testifying *against* these government-to-government grants by our State Department.

The witnesses in favor of continuing and increasing our government's grants and gifts to other governments were three employees of the State Department, a famous foreign sociologist who is currently Visiting Professor at Columbia, and their lawyer. All five of them identify the problem behind our foreign aid programs as "hungry people in underdevel-

oped nations all around the world." Since they believe that's the problem, it follows automatically that their solution is to feed the hungry people. And that's about as far as they go.

I am convinced, however, that the fundamental problem is more political and economic than it is biological. And in my attempt to identify the problem, I ask myself why these people are hungry. Is their inability to produce enough food (or to produce goods and services to exchange for food) due to stupidity or laziness? I think not. Then just what causes their continuing hunger, generation after generation?

I try to identify the probable cause in this fashion: I have a small amount of liquid capital, that is, dollars which can be converted by labor into the real capi-

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tal of machines, raw materials, and finished products. For various reasons, I would like to use this modest supply of capital in India, to improve my own material well-being and the material well-being of several Indian families who are now hungry.

**An Offer to Help and
Why It Won't Be Done**

Over the years, I have made the following proposal to several acquaintances in India, including a government official: If you will permit me to come in, I will immediately hire at least four people at better wages than they are now earning. Their working conditions will be more pleasant — and their employment will be steadier — than is now the case for any of them. It is self-evident that I would have to fulfill these promises before I could possibly persuade anyone to use my machines; obviously, no one would work for lower wages than he is already earning. Even so, I always include in my offer the posting of a performance bond. What I propose to do is to try to solve the *cause* of the hunger — the *real* problem — by showing a few hungry people how to produce enough goods and services to feed themselves and their families on a continuing basis. And please note that I propose to back my judgment

with my own capital, not the taxpayers' money.

So why don't I do it? The answer is shocking. The Indian government refuses to let me in. "No foreign imperialist is ever going to exploit us again," they proclaim in various words and tones. Then they immediately apply to the United States Department of State for more government-to-government grants-in-aid. And they almost always get them, thus continuing to treat the consequences of the problem instead of the problem itself.

True enough, two of those Indian acquaintances informed me that I *can* enter India with my machines, under certain conditions. First, I must produce what the government wants produced; I am not permitted to make the decision alone. And I must locate where the government specifies; I cannot make that decision for myself. While I will be permitted to try to earn a profit, it must be "reasonable"; the figure of 4 to 8 per cent was mentioned. And finally, the Indian government guarantees that it will not nationalize my company for at least ten years.

And then the leaders of the Indian government wonder why foreign capital doesn't come in! They seem honestly distressed and puzzled as they pass increasingly stringent laws forbidding their

own citizens to send their capital abroad. This "frightened domestic capital" goes to various places, including Switzerland. That small nation, with almost no natural resources, enjoys a high level of living because its leaders decided long ago that individual capitalists with machines should be welcomed as benefactors instead of repudiated as exploiters.

Thus, the empty bellies continue to multiply in India and elsewhere, far faster than the "green revolution" can increase the rice and wheat yields. And our State Department officials continue to treat the *symptoms* rather than the disease itself. Instead of trying to discourage this process of destructive prohibitions and interferences by the various foreign governments in their own economies, our State Department seems determined to worsen the situation by imposing their own group of government officials on top of the existing group. And worse still, American political leaders largely direct the clamor to install a third group of officials (the United Nations) on top of the other two. This failure to identify the problem — this inability to understand what is preventing hungry people from productive efforts to help themselves — can result only in more hunger, despair, and violence.

Confusing Money with Raw Materials and Labor

A charitable explanation of this blindness of the supporters of government-to-government aid is perhaps to be found in their failure to understand the difference between the measuring device (money) and the thing being measured (raw materials and labor).

In truth, of course, no one wants mere pieces of green paper with numbers printed on them. Those hungry people abroad and their officials want American raw materials, food, labor, and various final products and services. The dollar figures — the "credits" recorded in various ledgers under various headings — are merely for counting purposes. Were this not so, we could quickly print up several trillion dollars marked, "Not to be used to purchase goods and services in the United States," and give them to hungry people. Of course, no one abroad, or at home, would even bother to pick up such worthless paper. Foreigners don't eat dollars; they eat food, including all the labor and scarce raw materials involved in producing the fertilizers and machinery used to grow, harvest, and transport the food.

A favorite argument of those who advocate foreign aid is that many of these grants are now made in the form of interest-bearing loans.

"Why, we will even get back more than we send out," they suggest.

In turn, I suggest that, for the moment, they forget the political rhetoric and examine with me the reality of these transactions. America's scarce resources—fabricated into various shapes and forms by American labor—are collected by our government from us in the form of taxes. These resources are then sent abroad. Not one bit of these resources will ever be returned to our shores in any form. That is the reality of government-to-government loans, as contrasted with person-to-person loans which are indeed eventually repaid in kind.

No Way to Repay

Just how would a foreign government repay to our government the grants of raw materials and labor? Even if they wished to do so, there is simply no mechanism to handle it. We can't eat rupees, any more than Indians can eat dollars. Thus, if we are to get anything back, it must obviously be Indian raw materials and finished products. Just where would our State Department store them—in the basement? Of course, our officials might demand repayment in textiles, bring the cloth here to the United States, and dump it on our domestic market at low prices. But the State Department

officials know, as does everyone else, that this is politically impossible, regardless of the economics of it.

There is no possible way that foreign governments can ever repay to this nation the raw materials and finished products which were granted to them in various forms by our government. That's why government-to-government loans are always ultimately canceled, usually after being renegotiated a couple of times in various ways. Generally, they are canceled by the foreign nations which owe the debts—for example, France's repudiation of its debts to the United States. Sometimes the debts are canceled by the nation that made the loans, as when the United States wrote off the debts owed to it by Finland and Great Britain. In any case, they are ultimately canceled.

This lack of understanding of the economic and political reality of government-to-government transactions explains the failure of the attempt to collect "reparations" from Germany after World War I. That ill-advised scheme was certainly a chief cause of the collapse of the Weimar Republic and the emergence of Hitler and World War II. It is comparatively simple for our government to collect raw materials and labor from the American people and to send

them abroad; it is politically and economically impossible for the American government to receive back a like amount of resources from abroad to be used within our own borders.

What Is Not Seen

The advocates of foreign aid often have no comprehension of the first principle of economics, namely, that resources are scarce and have alternate uses. They do not seem to understand that the cement, pipes, pumps, machines, and engineering skills given away abroad by our government could just as easily have been used here at home, perhaps to clean up our polluted water and air, or used in other ways that producers and consumers might deem more important.

I become a bit unhappy when seemingly intelligent people deny that these governmental foreign aid programs cost you and me anything. I try to explain to them in personal terms of a canceled educational trip to Europe because I had to pay my taxes, steaks not eaten because my government put a 10 per cent surcharge on top of my regular tax, and so on. I am quite willing to pay to preserve our nation at home and to protect our legitimate interests abroad, but I do not gladly tolerate unthinking people who demand that

my resources be devoted only to their purpose and who claim that the only cost of governmental give-away programs is the modest price of printing more money.

It's quite true, as has been said, that the rich United States has enough money to do *all* these things that need doing. Actually, we have more than enough *money*, and our government apparently can print more whenever it desires to do so. The difficulty is that we don't have enough raw materials, engineers, doctors, teachers, and the other factors required to do all of these things in reality.

This "confusing of the measuring device with the thing being measured" is all summed-up in the argument that almost all of these foreign aid dollars — 98 per cent of them — are actually spent here in the United States, thus creating prosperity at home.

What possibly could have happened to that other 2 per cent? Perhaps India traded a portion of its "dollar credits" to Brazil for coffee. If so, our State Department should have noted the fact that Brazil, in turn, used its "dollar credits from India" to buy American machines and ship them to Brazil.

Of course, the entire grant was spent here, in one way or another; the only reason why foreign nations want dollars is to purchase

American materials and labor in various forms. It's easy enough to explain that rather obvious fact. But how can anyone believe that we can become rich and prosperous by working and producing goods and services to be given away without any return of other goods and services in trade?

Why Not Export Everything?

If prosperity could really be advanced in that fashion, we could easily treble our material well-being in the United States within one year. Our government could just put everyone to work digging up scarce raw materials, turning them into finished products, and shipping them abroad. If we would do this on an emergency double-shift basis, our annual Gross National Product would surely soar above the three-trillion-dollar mark. On the records used to record our GNP, we would appear prosperous indeed. But only on those measuring devices; for the things being measured — goods and services — would all have been

shipped out of the country, never to return. Our real level of living would plummet to zero. We would still have the paper dollars, though there would be nothing left to buy with them. Could that possibly explain why prices have skyrocketed in the United States over the past several years?

Well, there is nothing I can do for persons who are unable to distinguish between measuring devices and the things being measured. Nor can I influence persons who are unwilling to separate effect from cause, or communicate with those who will not understand that scarce resources sent permanently abroad are thus rendered unavailable for use at home.

There is one thing I can do, however. There are about 150 freshmen every year in my classes in Introductory Economics. I can at least continue to insist that they identify a problem before they offer a solution, and that the solution must be designed to make the problem go away instead of to make it worse. 

Let Us Now Try Liberty

IDEAS ON



LIBERTY

AND NOW that the legislators and do-gooders have so futilely inflicted so many systems upon society, may they finally end where they should have begun: May they reject all systems, and try liberty; for liberty is an acknowledgment of faith in God and His works.

fly the frenzied skies



ROBERT POOLE, JR.

A PRIVATE business whose sales volume had increased 15-20 per cent annually for seven years (and showed many signs of continuing to do so) would probably view its future with eager anticipation. In the government-controlled, privately "owned" cartel known as commercial aviation, however, the expected growth in air travel is viewed, in part, in horror. For as the volume of air traffic rises, a monumental crisis appears imminent, a crisis that threatens the complete paralysis of air transportation. What is the source of this seeming paradox? How can it

be that the same industry that will be flying, fueling, and servicing the huge 747, is unable to solve seemingly simple problems of supply and demand? The answer is not at all a difficult one to arrive at, provided one views the problem in its full scope.

"Commercial aviation" consists of three distinct parts: the airports, the airways linking airports, and the airlines. Although there are 10,000 airports in the U. S., many of them privately owned, all 525 of those large enough to handle scheduled airline service are owned by city governments (except Dulles and Washington National which belong to the Federal government). Municipal airport financing comes primarily from three sources: municipal bonds (for basic equipment and taxiways), airline in-

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vestment (for terminal buildings), and Federal tax money (for control towers, landing aids, and runways).

During the last ten years the pace of airport expansion has lagged far behind the growth in air traffic, because (1) local governments have little political incentive (or expertise) to accurately forecast passenger demand, (2) Congress has let the annual appropriation for airport aid gradually decrease, despite constantly increasing requests for such aid, and (3) local taxpayers are becoming increasingly hostile to large-scale bond issues, especially for things which do not directly benefit them. Hourly capacity restrictions have already been imposed by the Federal government at major East Coast airports, because of the increasing congestion at terminals and on runways. When the 365-passenger 747 and the 300-passenger airbuses go into service in the next few years, only a handful of airports will have terminal facilities or access roads adequate for such large concentrations of people.

Radio Navigation Stations

The airways consist of a number of paths in the sky, defined by ground-based radio navigation stations (navaids). The Federal Aviation Administration (FAA)

owns and operates the navaids and polices the airways. Anywhere above 3,500 feet and in the vicinity of airports, all aircraft must fly under FAA control. Although modern electronics and computer technology make nearly-automatic air traffic control technologically feasible, the FAA still relies on the early 1950's method of using navaids only as references, with all control and decision-making in the hands of a (human) FAA air traffic controller. Because of limited funding by Congress, there aren't enough controllers, their salaries are low, and their training is poor. Combined with the high volume of air traffic, these conditions make today's controller extremely overworked, in many cases literally a nervous wreck. Another consequence and cause, perhaps, of the controller shortage is the fact that these men are "daily forced to compromise with safety procedures"¹ in order to handle their workload.

The FAA's operations are financed out of general Federal tax receipts (the tax on airline tickets goes into general revenue, while the tax on aviation gasoline goes into the highway trust fund!) Thus, as long as there aren't many

¹ F. Lee Bailey, attorney for the Professional Air Traffic Controllers Organization, in *Aviation Week*, June 30, 1969, p. 28.

crashes, Congress is content to appropriate meager sums for the FAA.² The taxpayers, 60 per cent of whom have never flown at all, justifiably feel little desire to be taxed even further to provide airways for the mere 15 per cent who fly commercial airlines.

Finally, the airlines themselves present an interesting picture. Though nominally private companies, the airlines in fact are controlled by the Civil Aeronautics Board (CAB) in every essential aspect of their business. The routes between cities are divided up among the airlines as a huge cartel, originated and enforced by the CAB, thus making free entry into the market illegal. Likewise, it is nearly impossible for an airline to leave a particular market (by dropping a city from its schedule) — the “public necessity and convenience” must be served, apparently regardless of losses. The prices charged customers for a particular route are fixed by CAB in order to prevent “destructive” price competition. Price increases are permitted to the airlines only as a group, and price decreases, while allowed on an individual basis, must still be run through the mill of CAB.

If companies in the steel industry tried to set up such an arrangement, they would be prosecuted by the Antitrust Division of the Justice Department. Indeed, the contradiction between the CAB's philosophy and the antitrust laws was illustrated last summer, when the CAB had to grant the airlines temporary immunity from antitrust action so that they could meet together to discuss coordinating their schedules, so as to relieve rush-hour airport congestion.

As if this were not enough, 13 local service airlines, which were formed after World War II with surplus aircraft and “temporary” subsidies, continue to receive on the order of \$50 million per year in subsidy payments out of general tax revenues. Thus, taxpayers are forced to pay huge direct subsidies, in addition to the countless indirect subsidies they provide in the form of “free” airways, weather reports, landing aids, and mail contracts.

Victims of Intervention

The net result of these government activities is that at least three distinct groups of people are being victimized. First, the vast majority of taxpayers who do not use the airlines are being unjustly taxed so that those who do fly can have air travel at less than its true

² A graph on p. 53 of the May, 1969, issue of *Space/Aeronautics* illustrates the direct relationship between air crashes and Congressional appropriations for FAA facilities and equipment.

cost. Second, the most competent, aggressive airline owners (and potential airline owners) are being prevented from engaging in competition with the less competent companies, with the result that neither the more competent companies nor their stockholders can benefit as fully as they could and should. Third, the people who do fly are getting less efficient and less safe air service than, in the absence of government interference, they might; less efficient because of the lack of competition, and less safe because of the antiquated, under-funded, congested airport and airways system.

The question which should be obvious by now is: How, in "capitalist" America, did such a horrendous tangle of vested interests and government control ever come to pass? The standard "conservative" mythology holds that all of America's economic troubles began with FDR's New Deal. The sad fact of the matter is that government interference with and subsidy to American aviation have a long "nonpartisan" history.

History of a Crisis

Throughout the history of American aviation the general rule has been that each expansion of government control was preceded by requests for such regulation from one or another group of peo-

ple involved in aviation. At each step of the way, of course, the proponents did not foresee or advocate any further government involvement—they merely wished to blindly promote their own short-range special interest.

Federal involvement began in 1915 when President Wilson selected a number of aviation enthusiasts to form the National Advisory Committee on Aeronautics (NACA) to "study . . . the problems of flight, with a view of their practical solution." The impetus for setting up NACA was World War I, but as with many government agencies, NACA emerged in 1919 as a permanent entity, and became a vigorous advocate of government control of aviation.

Former wartime aircraft producer, Howard Coffin, strongly supported NACA's position. During the war Coffin had been picked to head the government's Aircraft Production Board, which passed out over \$1 billion in aircraft contracts to his own company and those of his fellow auto producers.³ Coffin and his friends ignored the advice of many aircraft designers and mass-produced the Liberty aircraft engine along automotive lines, which made it a poor aircraft power plant. They also pro-

³ Kelly, Charles J., Jr. *The Sky's the Limit—The History of the Airlines* (New York: Coward-McCann, 1963), pp. 25-29.

duced 10,500 DH-4 aircraft, only a few of which ever reached Europe. The remaining planes were subsequently sold as war surplus for 2 per cent of their cost and the resulting postwar glut of cheap aircraft greatly depressed the market for new designs. The DH-4 with Liberty engines won the nickname of "flaming coffin" in the postwar years.

In 1918, at the urging of NACA, the Post Office inaugurated airmail service. Using the "coffins," post office service was risky at best. By 1925, 31 of the first 40 airmail pilots had been killed in crashes. Somehow, during the same six-year period, the safety record of many of the fledgling commercial operators was much better. In 1925 a government investigating board recommended that the Post Office let airmail contracts to private companies, rather than flying the mail themselves; Congress agreed, and passed the Kelly Airmail Act. One of the results was the formation of three "conglomerate" aviation companies—United Aircraft and Transport, North American (under GM control), and AVCO—which proceeded to win most of the longer airmail routes.

During these years NACA continued to propose bills calling for Federal regulations. These bills received support from such di-

verse sources as state and local bar associations, the American Legion, Presidents Wilson and Harding, and Secretary of Commerce, Herbert Hoover. In addition, a number of airline owners (and would-be owners) asked Congress for regulations and subsidy; regulation to win public confidence and subsidy to keep them in business regardless of the market or their ability. One of the most common appeals was that the U. S. must not fall behind Europe, where governments were setting up airlines and subsidizing their operations.

***"Strengthening Private Enterprise"
— by Act of Government***

The outgrowth of this lobbying was the Air Commerce Act of 1926, which firmly asserted the government's authority over aviation, giving it authority to "foster air commerce," provide airways and nav aids, conduct research and design, issue licenses and aircraft certificates, and investigate accidents. Both President Coolidge and Secretary Hoover had worked for the passage of this act, considering it only as a means of "strengthening private enterprise." As Professor Donald Whitnah points out, "in 1926 rate-fixing and the awarding of exclusive operating franchises to airlines were hardly conceivable to the ma-

jority of the framers of the legislation.”⁴

By 1930, however, the government had already begun to flex its newly authorized muscle. Hoover's Postmaster General, Walter F. Brown, decided that there was too much “chaos” and competition in aviation and decided to “foster air commerce” by forcing mergers and consolidation, using airmail contracts as his “persuader.” Previously, of course, these contracts had been let to the lowest bidder. Brown proposed a new law allowing him to select contractors “by negotiation” (on the basis of cooperation with his master plan), and to pay them on the basis of the size of their aircraft, rather than the amount of mail they carried. Congress approved the latter idea but refused to allow Brown full discretion in selecting contractors. Nonetheless, Brown proceeded on his own, at first attempting to persuade various airlines to merge. When that failed, he “arbitrarily selected those companies he believed most suitable,”⁵ and awarded them the routes. Lines which didn't cooperate had their contracts (and thereby their route authority) canceled.

⁴ Whitnah, Donald R., *Safer Skyways—Federal Control of Aviation, 1926-1966* (Ames, Iowa: Iowa State University Press, 1966), p. 27.

⁵ Kelly, *op. cit.*, p. 75.

When the Democrats came to power in 1932, Senator Hugo Black conducted a sweeping investigation of airmail contracting and exposed the entire shameful situation to public view. In the uproar which followed, Roosevelt ordered all mail contracts canceled and called upon the Army to resume carrying the mail. The Army responded, but it was unprepared and poorly equipped; in the first week 12 pilots died and 6 more were seriously injured. The Army's mail service this time lasted only a few months (at an average cost per mile of \$2.21 vs. 54¢ for the airlines!) In the Airmail Act of 1934, competitive bidding was restored, but as a result of the previous scandals, aircraft manufacturers were forced to sell their airline operations. Thus, with one blow, the government destroyed the three largest aviation companies in the country.

The Civil Aeronautics Act

A further consequence of the airmail scandals was the Civil Aeronautics Act of 1938, sponsored by Senator Pat McCarran. Beginning in 1934, Senator McCarran began a legislative campaign for economic regulation of scheduled air carriers. In 1935 a Federal study group recommended treating air transport as a public utility, with subsidies and fare

regulation. Meanwhile, with the resumption of competitive bidding for airmail contracts, and with the Depression rolling along, many airlines lost money, and began looking to Washington for help. The newly-formed Air Transport Association began lobbying for Federal regulation and subsidy, in effect threatening that if the airlines didn't have more money available, they couldn't guarantee safe operation.

The resulting Civil Aeronautics Act "gave the airlines almost all they desired."⁶ It provided blank-check subsidy, eliminated competitive bidding on airmail contracts (substituting "need" as the criterion), and protected against competition the routes of existing airlines.

In addition to these provisions, the act set up an independent agency known as the Civil Aeronautics Authority to carry out the regulation of the industry. Two years later the agency was split in two, with the Civil Aeronautics Board (CAB) performing economic regulation and the Civil Aeronautics Administration (CAA) responsible for safety and air traffic control. Except for the CAA being renamed the FAA in 1958 and becoming a part of the Transportation Department in 1966, the government's regulatory struc-

tures have remained essentially as they were in 1940.

The Non-Skeds

There is one further incident in the history of aviation that deserves mention, because it illustrates the nature of the effects of the CAB on competition. At the close of World War II a number of entrepreneurs purchased surplus transport planes in order to start new airlines. Since the established airlines had monopolies on the most profitable routes, the newcomers were legally forbidden to compete with them — as scheduled carriers. But the CAB exempted non-scheduled cargo and coach service from the "certification" (monopoly-granting) procedures, as well as from subsidy. Thus, the newcomers, with their own money, began non-scheduled cargo and coach flights, the latter service an unheard-of innovation in the industry.

The scheduled lines, "free-enterprisers" all, attacked the concept of coach flights as "economically unsound" and implored the CAB to put the non-skeds out of business. But coach service proved to be so popular with customers that the scheduled lines soon began to offer it themselves, undercutting their own arguments. Even so, the CAB began putting pressure on the non-skeds, who then

⁶ *Ibid.*, p. 102.

asked Congress for an investigation to determine the full extent of Federal subsidies received by the "ins." The scheduled airlines, through their lobbying group, the Air Transport Association (ATA), conducted a massive campaign against the non-skeds, charging that they "were making no public contribution and constituted a drain and diversion of needed revenue from the scheduled carriers."⁷ Eventually, this type of propaganda was successful; the CAB adopted regulations which put most of the non-skeds out of business.

Suggested Solutions, Their Flaws

That a crisis in aviation is impending is widely acknowledged; aviation and aerospace publications have been rife with analyses and recommendations for several years. Now newspapers and news-magazines are beginning to pick up the story, alerted by growing flight delays, air controller slow-downs, and hopelessly congested airports. And so there is no dearth of proposed solutions. In evaluating these proposals, however, it is vital to keep one point clearly in mind: the essential nature of the problem is not technological or political, but economic. As with any other case of government intervention, the normal relation-

ships between supply and demand have been grossly distorted with the result that on the one hand massive needs (electronic "area navigation," larger and more modern airports) are being ignored, while on the other hand the present consumers of airline service are not paying anything like the full costs of the service they are getting. For this reason, any solution that deals with only politics or technological improvements is actually dealing with effects, rather than causes.

The government's short-term approach will be some variation of the "user tax" plan developed by the Administration. Under this plan, additional taxes will be levied on tickets, a new tax levied on airfreight, and fuel for private planes taxed. About half of the money raised by these taxes (i.e., \$5 billion over 10 years) will be earmarked exclusively for airports and airways improvements, with the remainder going into "general revenue." According to Transportation Dept. projections, some \$14 billion is needed for airport and airways modernization over the next ten years — thus, the remaining \$9 billion would have to come from Congress and/or local communities.

The only real merit of the user-tax proposal is that it gives token recognition to the fact that the

⁷ *Ibid.*, p. 180.

users are not currently paying the full costs of the service they are receiving. But it does this in so minimal a way as to be almost worthless. It still leaves all essential funding decisions to be made politically, with the result that millions of taxpayers will still be forced to pay most of the costs, for the benefit of a few. Since the plan doesn't identify the principle of full-cost pricing vs. indirect subsidies, it is easy for vested interests to attack it as costing them more than they are accustomed to. (The Air Transport Association and the Aircraft Owners and Pilot's Association have already done just that). In addition, the proposal makes the error of assuming that simply providing more money is the answer to all the problems, without ever questioning whether the government's bureaucracies might themselves be part of the problem.

A proposal which does raise this question was made in December, 1968, by Glen A. Gilbert, aviation consultant and one of the originators of the existing Air Traffic Control (ATC) system.⁸ After many years of experience in aviation, both in government and industry, Mr. Gilbert has concluded that the FAA's structure

and policies are not conducive to continuing progress in developing and implementing advanced-technology systems. He proposes that the FAA get out of the airways business altogether, in favor of a COMSAT-type corporation financed directly by the users, based on the actual costs of the services provided. This idea, predictably, has received little publicity outside of aviation circles. It is certain to be opposed by the same organizations and interests that opposed the user-charge taxes.

Probably the most popularized approach of 1969 is to call for a "total systems approach" to the entire airport/airways/airline/ground transportation problem. It is difficult to argue with this approach, per se, since all it really says is that a complex problem is not likely to be solved by piecemeal solutions considered in isolation from the total system. Yet, what most proponents of this approach end up calling for is merely more of the same — more "Federal spending" and more government regulations. A genuine systems approach must look beyond conventionally perceived boundaries of the problem, and determine to what extent the established order (the FAA, the CAB, and the special-interest groups) may be the cause of the problem.

Political control of airports, air-

⁸ "Gilbert Offers ATC 'Master Plan'," *American Aviation*, December 23, 1968, pp. 28-37.

ways, and airlines prevents the normal market mechanism from operating. It is impossible to determine the true demand for air navigation service, since the users, the airlines and general aviation, do not pay for it. Airport construction lags traffic growth by a decade — because taxpayers and traffic are very different people. Hundreds of short-haul transport aircraft crowd airports and airways, aircraft whose average passenger load is too small to be profitable and whose owners would be long since bankrupt, but for 22 years of subsidy at public expense.

The Proper Solution

If the present system is collapsing, and increased government intervention does not attack the core of the problem, what then is the answer? The basic economic problem cannot be solved by legislative fiat — if supply and demand are distorted by arbitrary regulations, they cannot be forced back to normal, since “normal” means what supply and demand would be free of force. What the government must do is to get out of the way and let the market mechanism take over. Since men are volitional beings, it is impossible to spell out in advance exactly how, free, they would solve these (or any other) problems. Nonetheless, it is possible to set forth the

principles that apply in this case and draw some logical conclusions from them.

The first principle is that everything which is of value to someone has a market value, which the objective forces of the free market can and do (and should) determine. Any violation of this principle (by subsidy, “free” services, coercive barriers to entry and exit, or enforced price-fixing) distorts the market process and unjustly benefits some by the coerced sacrifice of others. The second principle is that the proper role of government in a capitalist society is to protect rights, in this case, property rights. It is impossible for men to peaceably conduct business unless there is a set of objective ground-rules which define what constitutes particular types of property, how such rights are originally acquired, and how the right is to be legally protected. By misunderstanding this crucial principle, modern legal theory has applied the ancient tribal concept of “public ownership” to such uniquely twentieth-century property as radio and TV frequencies and air routes.

Under capitalism, airports would be private businesses, operated for profit, deriving revenues directly from customers (airlines, individual airplane owners, passengers, concessionaires, etc.)

Such an airport would be free to float bonds and to sell stock (as does Madison Square Garden) in order to raise capital. In order to remain profitable, the airport's management would have a strong incentive to plan for the future, developing the same type of forecasting expertise possessed by aircraft manufacturers and airlines.

The airport management would be free to make whatever contracts it could with the various airlines which would compete for terminal space and landing privileges. In the interest of attracting the largest number of passengers, the airport company would seek the most competent airlines in terms of quality and quantity of service. At the same time, by means of those individual contracts, the airport company could control arrival and departure times to prevent rush-hour congestion of runways. To assure customers of convenient access to the airport, it would be in the company's interest to cooperate with local high-speed transit companies in planning and building airport access links.

It is quite likely that airline customers using such airports would pay more for their trip than they do now. Without the power of "eminent domain," the airport company would have to acquire land at full value, rather

than by condemnation and coercion; in addition it would have to bear full legal liability for accidents and noise, like any other business. And, of course, without access to tax money, it would be unable to force the local citizenry to make up any operating losses. On the other hand, the customers, while paying their way, would enjoy the benefits of well-planned, low-congestion terminals, rational scheduling, on-time operation, a wider choice of services, and probably greater safety due to the airport's full-liability status.

Under Private Ownership

As far as air traffic control is concerned, the basic concept of an ATC "utility" has already been presented. The only flaw in the existing proposals is the automatic assumption of a nonprofit or quasi-governmental status for such a company. If AT&T can provide high-quality telephone service at low rates, while making a healthy profit, why couldn't the same be true of an ATC company? (Interestingly, the existing ATC system was begun by a private company formed by the airlines back in the thirties. When the Federal government took over control of the skies, it inherited a functioning system, including en-route nav aids and control towers.)

The largest single benefit of a

privately-owned ATC system is that sufficient funding and motivation would be available to implement up-to-date electronic navigation techniques. Much of today's air traffic congestion results from the FAA's requirement that airlines fly exclusively over the limited number of straight-line paths linking VOR ground stations (navaids). For nearly 15 years, on-board computers and pictorial displays have been available, which, when installed in an aircraft, permit the pilot to define a new path, not restricted to the old station-to-station ones.

This technique, known as area navigation, has the potential of increasing the amount of navigable airspace by orders of magnitude, as well as substantially reducing air traffic controller workload (since the pilot does most of his own controlling). After years of lethargy and indifference, the FAA last summer finally began allowing limited experimental usage of area navigation, but only under the threat of total saturation of the existing airways.

With airports privately run, and airways privately defined, what would be the position of airline companies with regard to free access to specific airspace? The crucial question here is the proper definition of the property rights to an air route. Because two aircraft

cannot fly over the same airway in the same place, at the same time, and because the number of airways, though large, is ultimately limited, it is clear that individual airways constitute a class of property and ought to be protected as such.

Allocation of Routes

The other important issue concerns which airlines would serve which cities. The advocates of government control claim that under laissez-faire every airline would attempt to serve every city, with the result that all (or most) would go bankrupt. When challenged on the absurdity of this assumption, they usually give as an alternative their fear that the airlines would form a huge cartel, dividing up the markets among them, and fixing the prices. This is, of course, precisely what the CAB presently forces them to do.

As pointed out earlier, it is impossible to predict exactly what would happen in a free market for air service. But because of the competition for the limited airport space, the number of airlines, or more precisely, the number of planes, serving a particular city-port would probably be limited (though in many cases, more than at present). The important point to remember is that the market, rather than politicians, would be

allocating the routes and the difference that would make could mean significant improvements in service. (In the early fifties Eastern Airlines asked the CAB for permission to link Florida and California—a market not then served. For a number of years the CAB held hearings, hearing mountains of inconclusive testimony from various city governments and airlines; eventually the route was awarded to National Airlines on the basis of its “need” for it. Thus, Eastern, with three times as many planes, was completely frozen out. Examples such as this dot the history of the CAB.) The CAB’s policies prevent greater service on many profitable routes, and force excess service on many marginally-profitable or loss-producing routes. In the free market, the quantity and quality of service to or from any city would bear a direct relationship to the demand for service, as reflected in the prices people were willing to pay.

Thus, unrestricted competition, far from causing chaos, would promote orderly, harmonious growth in air service, with everyone paying his own way. It is certainly possible that some cartel-type agreements would be attempted—this is a possibility in any free market. But as in any other market, neither technology nor competition stands still; no

price can be fixed at a highly profitable level for very long (except by the government) without attracting competition. The unrestricted operation of supply and demand provide real-time feedback of information to both consumers (via prices) and producers (via profits) about the state of the market. When liberated from the distortion of government intervention, the market mechanism will provide whatever air services people—as individuals, rather than as special-interest groups—are willing to pay for.

Steps Toward Freedom and Order

If the Administration became convinced that government was the cause of the aviation crisis, there are three specific steps it could take, by way of decontrolling. The highest priority should be given to selling the FAA’s air traffic control system to the highest bidder (the proceeds to be distributed as income tax refunds). The new owners, after a transition period in which to raise capital, could get on with a crash program to implement electronic area navigation. As soon as the changeover was complete, they would begin charging all users for their services.

Once area navigation was operational, and the air congestion crisis over, the government’s next

step would be to cancel the Federal Aid to Airports (FAAP) program. This would leave municipalities with the alternatives of greatly increasing local taxes (very unlikely) or selling the airports to private companies. Those cities which did neither would probably soon find their obsolescing airport competing with newly-built or newly-acquired privately owned and operated airports. (Howard Hughes was recently acquiring land for an SST-port in Nevada until stopped by the CAB, and design firms have designed a number of offshore airport concepts, suitable for such cities as Los Angeles, New York, Chicago, and Cleveland.)

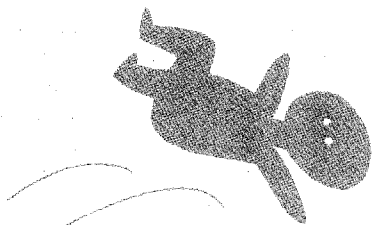
The government's third step would be to abolish the CAB. Not a single one of the CAB's functions is justifiable in a free society; none is without harmful economic consequences. Abolishing the CAB would immediately end millions of dollars of subsidies to smaller airlines, probably causing a number of mergers and acquisitions. At the same time, with the

elimination of route "certificates," all air routes would be opened to competition. The airlines would be free to negotiate with all airport owners (private and government) and much new service would be made available in short order (and could be easily accommodated via area navigation). At the same time, the government would be obliged to promulgate an air route property law, precisely defining the means of establishing and enforcing usage priority for individual airways.

These steps, to be sure, would be vociferously opposed by the multitude of vested interests and their lobbyists, which have proliferated in response to government's policies. It will take men of integrity, in business and in government, to stand up to these men and answer their pleadings of "need" and "public interest" with reason and economics. Such men of integrity are essential if we are to escape the stagnation which is the end result of government control.



DON'T THROW OUT THE BABY!



THE COURSE we now follow in a careless, thoughtless, and irrational manner could destroy a recent and by far the most progressive economic concept ever come upon by mankind! In a blindness brought on by such forces as irritation, covetousness, a false sense of justice, adherence to an outmoded value theory, and a propensity to run other people's business, we are about to throw a precious human asset — the baby — out with the bath.

The baby? It is the *open* as distinguished from the *closed* road to wealth. Were we to collapse recorded history to the average life span of Americans, the baby would be less than two years old. As Ortega points out, it is always the latest and highest acquisitions of the mind that are the least stable and the first to be abandoned whenever crisis threatens. But before describing the baby,

let us reflect upon the bath that is forming and about to be thrown out — the baby with it.

What is the bath? We are presently showered with the outbursts of anticapitalistic mentalities from every quarter: the press, radio, TV, pulpit, classroom, political chambers. So numerous and overpowering are these shallow fusillades that capitalists themselves are in retreat. They apologize for profits, take refuge behind such nonsensical notions as being in business for "the social good," and they support all kinds of socialistic, anticapitalistic legislation. Wealth, which most people seek for themselves, is being inundated in scorn and obloquy as if it were something evil.

None of us knows all the reasons for this anticapitalistic mentality but one of them, certainly, is the unfavorable effect affluence or wealth has on many citizens.

Never in man's history have so many individuals experienced affluence as in the U.S.A. today. Literally millions of persons can have all of the material embellishments their hearts desire, and millionaires all over the place! There are notable exceptions, of course, but not many of us can stand such affluence. Wealth, so easily come by, often tends to turn individuals away from serious, responsible citizenship into do-nothings and "big shots." Individuals so afflicted bear little resemblance in character to their struggling ancestors.

Further, our plunge toward all-out statism with its attendant woes and troubles seems to coincide with the rapid ascendancy in affluence as if the latter brought on the former. This is not a cause-effect sequence, but it *appears* to be. So, we are urged, stop this race for the almighty dollar. Cease doing the things which lead to wealth, or which depend upon it. To follow this course as I shall try to show, is to throw out the baby with the bath.

As with eating and drinking, discriminately employed wealth serves a life-saving and life-giving purpose. But wealth has built-in temptations, as do food and drink, which can and often do lead to overindulgence. I suspect that the real reason why affluence has such

an unsavory reputation is that wealth is used more for self-glorifying than for self-improving ends—a form of gluttony! Ill-used wealth does more to downgrade than to upgrade the people it graces. The noble purposes wealth may serve are rarely understood.

Smothering Poverty

Consider the opposite of wealth: abject poverty, as experienced by Chinese coolies, for instance. They labor in rice paddies from morn till night to eke out a bare animal existence. These human beings have unique potentialities no less than did our poverty-stricken ancestors. But note that there is little if any realization of these potentialities among coolies. The good earth is populated with many outstanding musicians, artists, poets, philosophers, engineers, architects, scientists, and a thousand and one other specialists. Chinese coolies, be it observed, are seldom numbered among them. Why? Abject poverty!

I devoutly believe that life's purpose is to grow, emerge, develop and that poverty, so long as it persists, subverts this end. Assuming that the evolution of man is our objective, then wealth is the means to rid us of the enslavement poverty imposes. Wealth, when employed as a freeing agent,

is essential to man's march toward his destiny. Wealth may be abused and misused, yet it has a role to play in intellectual, moral, and spiritual progress; it is a vital means to these high ends.

The moral or evolutionary purpose of wealth is not to free man from life's struggle — far from that! Its purpose is not that man may retire or allow his faculties to vegetate. And definitely it is not to substitute ease and comfort and ostentation for hard work. Rather, its purpose is to allow us to get ever deeper into life — to work even harder — along the lines of our creative uniqueness. This is how we evolve.

As abject poverty subverts the evolution of man, so does wealth when it is worshiped and used as an end in itself rather than as a means to the higher ends. But to disparage and finally to rid ourselves of this vital tool simply because we have failed to grasp its moral purpose and application is destructive nonsense.

The Closed Society

What I refer to as the closed road to wealth dominated the world economic scene up to the Industrial Revolution. There are exceptions but, for the most part, wealth was reserved for the very few: the Maharaja, the Lord of the Manor, the master of slaves,

merchant princes — the "upper crust." Theirs were political confections, instances of special privilege. Wealth was measured in size of estate and castle, jewels, servants, and the like — more an enslaving than a freeing agent, energy consumed to fend off predators rather than released for individual emergence. It was political, not private, ownership; no respect for each man's right to the fruits of his own labor! Coercive to the core, the resultant social arrangement assumed various forms: despotism, feudalism, autocracy, the guild system, mercantilism, wage and price controls, protectionism, and so on. *Closed*, indeed!

In such a closed society, the millions were essentially serfs; if born a shoemaker, you remained one regardless of your talent or potential for any higher calling. You, poor slave, stay put! It is easy to understand why, in that dark age of economics, Saint Thomas Aquinas argued that these poor people *had a right* to a minimal standard of living from their lords and masters. Such was the sentiment which Marx later popularized: "From each according to ability, to each according to need." Given a closed — authoritarian — economy, there is no other way to disperse the wealth required to sustain life.

As darkness has no resistance

to light, so has ignorance no resistance to enlightenment. Ignorance is always upon us in the absence of enlightenment; it retreats naturally as enlightenment increases but stands ever ready to descend again upon the blind.

Open Competition

About 200 years ago, a remarkable political and economic enlightenment substantially removed the barriers—temporarily at least—that had closed the road to wealth. The baby was born: the open road to wealth! And it has been named the Industrial Revolution.¹ Goods and services henceforth would be produced for the masses and not solely for the political elite.

While the order of the successive steps in this enlightenment might be debated, it is my view that the first step was and had to be a recognition of human dignity. This is to say that each individual is as much a human being as any other; the son of a cobbler is entitled to opportunity no less than is the Prince; everyone equal before the law as before God—each his own man with a fair field and no favor. Any person, regardless of ancestry, free to rise to any

height his energies and talents might take him. The road open!

Implicit in this enlightened recognition is that each and every person has full and exclusive right to the fruits of his own labor. In a word, the acceptance of a moral principle—justice—led logically and positively to the economic tenet on which the open road to wealth is founded: *private ownership*. Not that private ownership displaced political ownership and special privilege entirely—far from it! But the barricades were broken; there was not only the prospect but, far more than ever before, the reality of the open road.

Specialization, as might be expected, became the next step. Individuals, as they were freed from the bondage which abject poverty imposes, began to engage in an infinite variety of activities, each according to his unique talents and abilities.

Then came the next flash of enlightenment: freedom in transactions. If a particular good or service is really mine and some other good or service is really yours, there follows logically from this private ownership the right to exchange with whomever one pleases.² It simply is nobody else's

¹ For a revisionist view of the Industrial Revolution, see *Capitalism and the Historians* by various authors, edited by F. A. Hayek (Chicago: University of Chicago Press, a Phoenix Book, 1963).

² To deny freedom to exchange is to deny private ownership. One owns only that which he controls.

business. Freedom in transactions tended to become the rule rather than the exception.

Trade Benefits Both Parties

Assuredly, the next most important enlightenment came about 1870 when some economists discovered how ordinary people behave when free from controls. In other words, they discovered or came to understand the subjective theory of value. Until this time, the value of a good or service had been reckoned by cost of production, that is, by the amount of exertion expended. This false measure of value had been a real hindrance to private ownership, specialization, and freedom in transactions. Following the discovery of the subjective theory, the value of any good or service, instead of being determined by cost of production or dictated by some cartel, was whatever could be obtained in willing exchange. It is that simple. The market value of my pen? Whatever you or some other customer will give for it. If there are no willing buyers, its value is zero; if the top bidder offers two dollars, that's its value.

There's the baby — this recent flash of light or understanding. Its significance is seen by contrasting what has happened in the U.S.A., where this wisdom reached its apex, with what otherwise

might have been the situation. Without this economic enlightenment, most of us either would not have been born or would have died in early childhood. Adam Smith (1776) observed that the average mother in the Scottish Highlands had to bear twenty children for a reasonable prospect that two might reach adulthood, so great was the infant mortality rate. There simply wasn't production enough to sustain more than a relatively small population.

Next, had that closed road to wealth persisted, nearly all of us, including our millionaires, would still be in the class of servants, serfs, armed guards, and the like. Even the simple requirements for life — food, clothing, shelter — would be no more than the political hierarchy might see fit to allot to us. Slaves!

And last, born a cobbler, remain a cobbler! The unique potentialities of the individual dead on the vine! The destiny of man — growth, emergence — forever stifled!

Now, look around us: would-have-been slaves — millions upon millions of us — in that advanced state of affairs in which each may pursue his unique talent and can receive in willing exchange those goods and services required for well-being. Take, for example, one who specializes in the study and explanation of the freedom philos-

ophy and produces nothing else, nothing whatsoever. If he receives enough for his efforts to defray the costs of shelter, food, heat, light, and countless other desiderata, he is wealthier than any Lord of the Manor of bygone days. And solely because of a practice of freedom — a baby in the realm of enlightenments — this open road to wealth!

I repeat, affluence has had a disgusting effect on a great number of individuals. Wealth has become so much a god that it knows no satiety.³ Imagine, some of the wealthiest people who ever lived shouldering a debt without historical parallel — the combined indebtedness of U.S. citizens in excess of a trillion dollars! And more: an enormous siphoning off of accumulated capital assets by diluting the medium of exchange — inflation!

However, we must remember that this affluence exceeds anything mankind has heretofore experienced; we are not conditioned to such wealth; it is not in man's tradition. Thus, we resemble chil-

dren turned loose in a candy bin; if they make themselves ill, it is not the fault of the sweets or a reason to outlaw candy. It is, instead, the occasion for some dietary sense and self-discipline.

And ours is the occasion for some sense in political economy and morals as related to the evolution of man. It is pitiful to observe millions of people enthusiastically working against their own interests, that is, working their way back to the closed road. And it is easy to tell which way we are heading. Substitutions of political for private ownership, wage and price controls, labor or business cartels, subsidies, inflation, or other schemes that feather the nest of some at the expense of others rebuild the barricades. Such hazards preclude the several necessary steps to the open road and turn us against our self-interest!

While I deplore the way many affluent people behave, I trust their wealth to them far more than to politicians or others who had nothing whatsoever to do with its acquisition.

Finally, regardless of how unfavorably we may view the way wealth is used by its owners, let us not, under any circumstances, throw out the baby with the bath. This infant enlightenment is one of the most priceless blessings of mankind.

³ This is no merely modern defection; Plato describes the decay of an oligarchy in Book VIII of *The Republic*: "And so, as time goes on, and they advance in the pursuit of wealth, the more they hold that in honor the less they honor virtue . . . From being lovers of victory and lovers of honor they become lovers of gain getting and money."

GARY NORTH

THE THEOLOGY OF THE EXPONENTIAL CURVE

**Growth for the sake of growth is
the ideology of the cancer cell.**

Edward Abbey

CARL BECKER, the late Cornell professor, was once regarded as the "dean of America's historians." His most famous work, *The Heavenly City of the Eighteenth-Century Philosophers* (1932), was a literate defense of the idea that the "rationalism" of the Enlightenment was really a religious faith modeled after the thirteenth century's theological concerns. Enlightenment rationalism is best understood, Becker argued, as secularized theology; its presuppositions were as unprovable as those of the scholastic philosophers. Both systems, in the final analysis, are equally based on faith. While he has been criticized for his handling of particular ideas, most notably by Peter Gay, Becker's fundamental presentation still holds: the reigning faith of an age — the "climate of opinion" as he called it — is no less a faith just because its devotees like to refer to themselves as rationalists.

Becker believed that certain key terms reveal the true concerns of the Enlightenment: Nature, Reason, and Progress were three of these. These were self-attesting, "self-evident" propositions. Nature,

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in that confident, post-Newtonian world, was seen as being under the control of universal laws, and these laws are discovered by the operation of the human mind. We can understand the impact of Newton's law of gravitation on his age; indeed, the impact is with us still. Eugene Wigner, a Nobel prize winner in physics, has pointed to the astounding nature of the discovery:

The law of gravity which Newton reluctantly established and which he could verify with an accuracy of about 4 per cent has been proved to be accurate to less than a ten thousandth of a per cent and became so closely associated with the idea of absolute accuracy that only recently did physicists become again bold enough to inquire into the limitations of its accuracy.¹

Understandably, men were impressed with such a find. Wigner himself concludes his essay by saying that "the miracle of the appropriateness of the language of mathematics for the formulation of the laws of physics is a wonderful gift which we neither understand nor deserve." The vision of a universe totally under the

reign of law — mathematical law — captivated social scientists as well, as Louis Bredvold's book, *The Brave New World of the Enlightenment* (1961), demonstrates so forcefully. Thomas Hobbes, for example, believed that political affairs could be predicted and controlled if the mathematical laws of politics could be discovered. It was no doubt a dazzling vision.

Coupled to this faith in mathematical law and human reason was the idea of progress. J. B. Bury's *The Idea of Progress* surveyed its impact; published at the turn of the century, it still is an important study. More recently, Robert A. Nisbet, the conservative American sociologist, has examined the concept of development in Western thought.² Society was viewed as an organism by Enlightenment thinkers; if unhampered by "reactionary" human institutions and traditions, societies invariably progress. Social change is therefore "natural"; it is cumulative, irreversible, directional, uniformitarian, and immanent (i.e., self-motivated). French Revolutionaries drew the obvious conclusion: since progress is desirable (self-evident truth), such reactionary institutions must be abolished.

¹ Eugene P. Wigner, "The Unreasonable Effectiveness of Mathematics in the Natural Sciences," *Communications on Pure and Applied Mathematics* (1960), goes into the marvelous correspondence of mathematical reasoning and certain kinds of external, physical events.

² Robert A. Nisbet, *Social Change and History* (New York: Oxford University Press, 1969). For a summary and analysis of the book, see my review in *Modern Age* (Fall, 1969).

Christian culture had to be destroyed. "Crush the accursed thing" was Voltaire's battle cry.

The Loss of Faith

Two events—possibly three—helped to shatter men's faith in natural progress. The first was the publication of Darwin's *Origin of the Species* in 1859. The immediate response was overwhelmingly favorable; all 1,250 copies of the book were sold out on the first day.³ Marx hailed it as the foundation in natural science of his own scientific socialism.⁴ R. J. Rushdoony has commented on the intellectual effects of the idea of natural selection:

Darwinism destroyed this faith in nature. The process of nature was now portrayed, not as a perfect working of law, but as a blind, unconscious energy working profligately to express itself. In the struggle for survival, the fittest survive by virtue of their own adaptations, not because of natural law. Nature produces many "mistakes" which fail to survive and become extinct species

and fossils. The destiny of the universe is extinction as its energy runs down.⁵

Social Darwinists like Herbert Spencer and William Graham Sumner tried to apply the principle of natural selection to the social realm, but with little ideological success. Men found its implications too difficult to bear. (Mises has argued that they misused their arguments: capitalism, through its great productivity, has permitted the less fit to survive, i.e., those who would have perished in a less productive economic system.⁶) The Social Darwinists' defense of capitalism fell on increasingly deaf ears; the idea of natural selection had done its work:

All of this served to shatter the older faith in nature. Nature as the agency of predestination was gone. It became increasingly evident to naturalistic thinkers that man must control his own evolution and also control the evolution of plant and animal life. Moreover, man must create and control his own social order, so that total statism, total socialism, is "scientific socialism," that is, socialism which recognizes that man cannot exist without predestination and therefore provides for the con-

³ R. J. Rushdoony, *The Mythology of Science* (Nutley, New Jersey: Craig Press, 1967), p. 14.

⁴ "Marx to Engels, Dec. 19, 1860"; in Dona Torr (ed.), *Marx-Engels Selected Correspondence* (New York: International Publishers, 1935), p. 126. Marx later offered to dedicate *Das Kapital* to Darwin, but the latter prudently declined the honor.

⁵ R. J. Rushdoony, *The Biblical Philosophy of History* (Nutley, N. J.: Craig Press, 1969), p. 7.

⁶ Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949), Ch. VIII, Sect. 6, pp. 164-65.

trol of process, for total planning and predestination, by the elite men.⁷

Or, as the late C. S. Lewis has put it, when we hear the phrase "man must take control of man," we should watch out; it means that some men must take control of all the others.⁸

The second event that broke men's faith in progress was the First World War. It combined with the third factor, Freudianism, to convince men that the faith in the rationality of mankind was too easy, even naive. Freud's own pessimism concerning the possibilities of psychoanalysis for curing men's psychological problems was not adopted by the majority of his followers, but this should not blind us to the fact of Freudian pessimism: long ages of evolution, he believed, would be necessary to separate men from their irrational, bloody antecedents.⁹ The War seemed to prove Freud's contention that subrational influences guide men's decisions.

The faith in inevitable, natural

⁷ R. J. Rushdoony, *Biblical Philosophy of History*, p. 7.

⁸ C. S. Lewis, *That Hideous Strength* (New York: Macmillan, 1947), p. 37. The same theme is explored in his *Abolition of Man*.

⁹ R. J. Rushdoony, *Freud* (Philadelphia: Presbyterian & Reformed, 1965), compares "original Freudianism" with later Freudian environmentalism.

progress has been lost. This loss of faith has been devastating in the historical guild. The triumph of historicism and relativism have emasculated historical studies. J. H. Plumb has bewailed this development:

So the modern historian is crucified by this dilemma: he must act like a scientist although historical objectivity cannot exist. His work can have no validity except for himself, and, perhaps, for fellow historians playing the same game by the same rules or perhaps for those men of his age who think and feel like himself. . . . The philosophers of history will allow history to be a profession, even admit to its having educational and literary value: what they will not tolerate is the idea that it has a social purpose. . . .¹⁰

Plumb cries out in horror against what has happened to the writing of history in our time; vainly, he tries to bring new life to a dead idea. Unfortunately for his efforts, there is nothing deader culturally than a dead idea.

So there we have them. The idealists insisting that history is merely a present world, ever changing, never static; the academic positivists burrowing like boll-weevils in the thickets of facts, mindless, deliberately, of purpose and meaning outside the

¹⁰ J. H. Plumb, "The Historian's Dilemma," in Plumb (ed.), *Crisis in the Humanities* (Baltimore: Penguin, 1964), p. 30.

orbit of their own activity; the public prophets using pseudo science to justify a repetitive, cyclical interpretation of history, and the *littérateurs* preoccupied with evocation and exercise of the imagination. The result is nihilistic and socially impotent.

All are equally guilty I think of wilfully rejecting the one certain judgment of value that can be made about history, and that is *the idea of progress*. If this great human truth were once more to be frankly accepted, the reasons for it, and the consequences of it, consistently and imaginatively explored and taught, history would not only be an infinitely richer education but also play a much more effective part in the culture of western society.¹¹

It is a bleak, bleak picture that Plumb paints. The halls of ivy have become empty shells—broken shells, like Humpty Dumpty. "History properly so-called can be written only by those who find and accept a sense of direction in history itself," writes E. H. Carr. "The belief that we have come from somewhere is closely linked with the belief that we are going somewhere. A society which has lost belief in its capacity to progress in the future will quickly cease to concern itself with its progress in the past."¹²

¹¹ *Ibid.*, p. 34.

¹² E. H. Carr, *What Is History?*, cited in Rushdoony, *Biblical Philosophy of History*, pp. 132-33.

The Concept of Economic Growth

The social scientists who have retained their faith in planning have not been hit so hard as those in the humanities by the death of the idea of progress. Economists in recent years have become fascinated with the possibility of continual economic expansion. The first signs of the faltering of this faith have become evident in recent months, specifically with regard to the question of ecology and the pollution problem. Last November, at a meeting of the United States Commission for UNESCO, a call for total stability went forth to the world. The *New York Times* News Service in late November ran a feature article in which Jerry Mander, a San Francisco advertising man, was quoted as saying, "Beginning now, there should be national preparations toward a no-growth economy." Robert Anderson, board chairman of Atlantic Richfield Oil Company, called for negative population growth. Hal Lehrman, president of the Overseas Press Club, said: "You've got to prove growth is evil. How do you do it?" Mander admitted that "at this moment, we are totally unprepared, emotionally, psychologically, and technologically for the emerging facts." The propaganda campaign is beginning. If it takes hold of the outlook of economists, an intellec-

tual revolution will occur in the guild.¹³

Why the fascination with economic growth? Herbert Heaton, one of the founders of the discipline of economic history (and close friend and associate of the late T. S. Ashton), once remarked in a graduate seminar I was attending that this concern with economic growth, especially growth in underdeveloped nations, hit the profession almost overnight. Specifically, it appeared simultaneously with the advent of the Cold War. Certain questions became the chief concerns for academic economists: how to keep growth rates high in the noncommunist societies; how to export growth to underdeveloped (formerly referred to as "backward") nations, thus keeping them loyal to democracy (the theory went)?

The Answers Are Impracticable

The answers to these questions have generally been in the neo-Keynesian framework in theory and virtually inoperable in practice. The programs of foreign aid were supposed to result in indus-

trialization, which in turn would become self-sustaining, leading the underdeveloped countries into the twentieth century economically. What the programs have actually accomplished has been far different: state-to-state aid has strengthened the state-controlled zones of the recipient nations' economies, making it more difficult for independent firms in the private sector to compete successfully with the underwritten statist projects.¹⁴ The Soviet Union has been equally inefficient in providing needed aid; "helpful" bureaucrats from both the United States and the Soviet bloc have bungled program after program, as bags of cement get shipped to Southeast Asian countries during the rainy season, and mammoth buildings without air-conditioning get built in African states.¹⁵ The reports of such projects are legion; if they were not so expensive, they would be much funnier.

The Paranoia of Economic Growth

Naum Jasny, in his book, *Soviet Industrialization, 1928-1952* (1961), reveals how Stalin used growth figures as propaganda de-

¹³ R. J. Rushdoony, *The Myth of Over-Population* (Nutley, N. J.: Craig Press, 1969). The propaganda aspect of this message is not that the goal of continuous economic growth is unattainable, but rather that the State has an obligation to restrict such growth by actively intervening into the market, or into the family.

¹⁴ M. A. Thurn-Valsassina, "Foreign Aid as Seen by a Foreigner," *Modern Age* (Summer, 1959).

¹⁵ Victor Lasky, *The Ugly Russian* (New York: Trident, 1965), presents a whole book full of such tidbits of bureaucratic bungling.

vices, setting goals for the five-year plans (themselves propaganda devices more than planning tools) so high that no economic system could have produced the anticipated results. It was growth for the sake of growth. The actual per capita output of consumer goods did not significantly increase until the mid-1950's; only in 1952 did wages reach the level that Czarist Russia had attained in 1913!¹⁶

Two wars and a revolution obviously were retarding factors in Russian economic expansion. So was the loss of manpower in the famine of the early 1920's and the collectivization of the farms in the late 1920's and early 1930's; at a minimum estimate, five million persons were either executed or deported during collectivization.¹⁷ A million people starved to death in 1933 alone, during the forced collectivization of the farms, Jasny estimates.¹⁸

The Soviet Union has experienced a high growth rate of its aggregate output of goods; Bergson's estimates put it at 4.5 per

cent per annum, 1928-1960, and 5.2 per cent if we exclude the war years.¹⁹ The rates have tapered off significantly since 1960, but enough people seem to be so impressed that they deliberately ignore the costs of that industrial growth to the Soviet Union in human lives and human freedom (which is almost impossible to deal with statistically, so it is relegated to the background). What did these growth rates actually reflect? Jan Prybyla's comments are to the point:

What the Russians have shown is that cockeyed economic growth at rapid rates can be achieved without economists and without economic science; but that after the economy outgrows its teen-age crisis, elusive and subtle problems of resource allocation among an increasing number of competing "priority" ends demands an economic science for their solution.²⁰

Loopholes for Survival

It is this lack of economic science that has created the present crisis in the Soviet economy: constant fluctuations back and forth between regional and national economic planning, constant short-

¹⁶ Janet Chapman, *Real Wages in Soviet Russia Since 1928* (Cambridge, Mass.: Harvard University Press, 1963), p. 150.

¹⁷ Robert W. Campbell, *Soviet Economic Power* (2nd ed.; Boston: Houghton Mifflin, 1966), p. 24.

¹⁸ Naum Jasny, *Soviet Industrialization, 1928-1952* (Chicago: University of Chicago Press, 1961), p. 73.

¹⁹ Abram Bergson, *The Economics of Soviet Planning* (New Haven: Yale University Press, 1964), p. 316.

²⁰ Jan S. Prybyla, cited in Gary North, *Marx's Religion of Revolution* (Nutley, N. J.: Craig Press, 1968), p. 225.

ages of key production goods, and a full-time quasi-legal network of black market suppliers which keeps the planners' errors from bringing the whole economy to a grinding halt.²¹ The two factors chiefly responsible for the successes of the Soviet economy, however limited outside of the USSR's military-industrial complex, have been its own domestic "free" market — the black marketeers (*tolkatchi*) and the small private garden plots of the peasants — and the productivity of the Canadian wheat farmers. I am reminded of an editorial cartoon I saw years ago (I think Herblock did it), in which we find a Soviet army officer saying to a commissar: "But Comrade, if we win the whole world to communism, where will we buy our wheat?"

Fascinated with the propaganda value of Soviet growth figures (themselves frequently suspect, especially in the "conclusion" sections²²), American economist-propagandists have become obsessed with the task of equaling or exceeding Soviet growth rates. They see this as a necessity, in spite of the obvious mathematical fact that the larger a base figure

is, the larger aggregate increases must be to keep it expanding at a constant rate. The Soviets, decades behind the United States in economic output, can more easily enjoy high growth rates, and even they have discovered the difficulty of retaining their high rates as their economy expands (witness their falling off of growth rates since 1960).

Reliance on Mathematics

Why this obsession with aggregate growth? One answer which I have already mentioned is the fact that freedom is difficult to chart statistically. We therefore see our propagandists appealing to other results of the two societies in order to compare them. Another impetus to the "growth game" is the very methodology of contemporary academic economics. Men whose concern for methodological rigor far outweighs any other professional goal in their lives will have a tendency to examine aspects of an economic system that are subject to the "elegance" of mathematics. They will tend to search diligently for "statistical handles" that are nicely "neutral," and therefore acceptable to other professional economists as valid measurements of an economy's benefits. The economic methodologies of both the Soviets and Keynesians, while differing in de-

²¹ Gary North, "The Crisis in Soviet Economic Planning," *Modern Age* (Winter, 1969-70).

²² Jasny, "Soviet Statistics," *The Review of Economics and Statistics* (1950), pp. 92ff.

tail, still focus on aggregate output figures that are useful in the tasks of centralized planning and prediction. Thus we see the fetish of the GNP — the so-called Gross National Product.

Numerous critiques of GNP figures have been made, but the important one is that the GNP figure would have meaning operationally only as a report of a single firm owned by a single set of owners. This may be the goal of some statist planners, but it is not yet a reality, either in the Soviet Union or in the United States; when it is, we will see true economic chaos.²³ The GNP is therefore a propaganda device primarily, a statement of faith in centralized planning secondarily. It is a methodological necessity for those academic economists who have honed their methodological tools to such fine points that the tools are no longer useful for any operation other than splitting academic hairs.

The Exponential Curve

The ancient world possessed no vision of continual economic growth. With the single exception of the Hebrew cosmology, all ancient cosmologies were cyclical with regard to the question of development. Man once lived in an age of gold; he has experienced

progressive deterioration since then, and only with some cataclysmic event — the coming of a divine monarch and the imposition of a period of ritual chaos — will man return to paradise, where the cycle will begin once again.²⁴ The Hebrew and Augustinian cosmology was linear: God created the world out of nothing, giving history meaning in terms of a sovereign plan, and will bring history to a close on the Day of Judgment. Nevertheless, Augustine and other medieval Christians saw no possibility of unlimited economic growth. Human "cities" were seen as being subject to flux, never achieving the permanence of the great City of God; only the spiritual kingdom can in any way be said to develop irreversibly.²⁵ An earthly pessimism prevailed.

The Renaissance and Enlightenment humanists gave up the idea of God's spiritual kingdom as a primary object of concern. Enlightenment thinkers in a sense "immanentized" the kingdom concept, bringing it down to earth. This was precisely what medieval thinkers had denied to man. Secular thinkers then gave up the idea of a final judgment. Nisbet

²⁴ North, *Marx's Religion of Revolution*, pp. 87-91.

²⁵ Theodor Mommsen, "St. Augustine and the Christian Idea of Progress," *Journal of the History of Ideas* (1951), pp. 364, 372.

²³ North, "Crisis," *op. cit.*

comments on this double intellectual revolution:

By the late seventeenth century, Western philosophers, noting that the earth's frame had still not been consumed by the Augustinian holocaust, took a kind of politician's courage in the fact, and declared bravely that the world was *never* going to end (Descartes, it seems, had proved this) and that mankind was going to become ever more knowledgeable and, who knows, progressively happy. Now, of a sudden, the year 2000 became the object of philosophical speculation.²⁶

The vision of continuous, secular, linear human progress had arrived. The dream of continuous economic growth is the intellectual descendant of this original vision.

The logic of continuous economic growth is the logic of the exponential curve. To produce such a curve, one needs to graph the expansion of a particular base figure over time. A compounding process takes place — positive feedback — as the figure becomes progressively (the language of progress is here inescapable) larger. There are numerous examples of this kind of growth: the compound rate of interest, the rate of economic growth, the rate of the biological reproduction of any species

unhampered by a lack of scarce resources (including space) and free of natural predators. We may begin with a very small number of dollars or alligators or human beings, and we may add to them at a tiny compounded rate; but if we continue the process, the figure will get larger and larger until it eventually appears to be infinite. Graphed, the line will remain relatively flat for much of the graph, but eventually it begins to point upward; finally, it curves upward rapidly and then shoots almost straight up, until it goes off the graph paper. The higher the rate of compound growth, the sooner the line will make its sharp curve upward.

There are so many of these curves in operation in our era that ours might reasonably be called the age of the exponential curves. Two rather interesting ones relate to science. The number of scientists in America has been increasing since 1900 at a rate of 6.6 per cent, which means the number of scientists doubles every 10.5 years. The number of scientific periodicals has been increasing at a 4.6 per cent clip since 1750, the number doubling every 15 years.²⁷ This has led to an output of scientific articles so vast that even the abstracts of them are becoming too

²⁶ Robert A. Nisbet, "The Year 2000 And All That," *Commentary* (June, 1968), p. 61.

²⁷ M. King Humbert, "Are We Retreating in Science?" *Geological Society of America Bulletin* (1963), pp. 365, 366.

numerous to handle in any given discipline (yet the academic disciplines themselves are getting more and more specialized). We can only speculate on the apocalyptic academic vision offered (I believe) by former University of California President, Clark Kerr: "What will happen when the last inch of library shelf is filled with the latest journal?" (More properly, the latest microfilm, since library shelves are already overcrowded with books, and the books themselves are in the process of disintegration; the paper used for book production since 1880 now appears to be self-destructive, a nightmarish prospect for the world's librarians.²⁸)

Pollution and Population

Several exponential curves are receiving considerable attention in the popular press. The recent concern over pollution and population can be expressed in terms of such curves. A classic is the population curve since 1770 to a hypothetical 2070. Graphed in *Time* (Feb. 2, 1970), we are presented with the prospect of an earth filled with 25 billion people in a century. The graph is titled, "Population: the next 100 years," but its subtitle gives the game away: "(assuming current population-growth

rates and no natural or man-made catastrophe)." (Indeed, we could advertise the wonderful prospects for economic returns from a chain letter with a similar graph.)

No biologist believes that the subtitle will be historically operative; the graph is used to "document" a coming population catastrophe. Generally, it is a propaganda device calling for planning, especially national or even international planning, to avert the catastrophe. Rushdoony has surveyed much of this propaganda in the popular press and he concludes that socialism makes such population-control proposals inevitable, since population is a factor of production, and the ideology of full socialist planning requires the aggregate planning of *all* factors of production.²⁹

Newsweek (Jan. 26, 1970) provides us with another exponential curve, namely, Federal spending on pollution control since 1956. It has increased from virtually zero to a billion dollars (estimated 1970 expenditures). From \$50 million in 1960 to a billion dollars in 1970: this is a 20-fold increase. Can we expect this rate to continue through 1980? How about until 1990? If so, in 1990, some \$400 billion will be funneled into pollution control. If this takes place, hold on to your wallet; taxes will be going

²⁸ David G. Lowe, "The Case of the Vanishing Records," *American Heritage* (Aug., 1969).

²⁹ Rushdoony, *Over-Population*, ch. 3.

up. I have no specific figures, but I would estimate that if the rate of increase in the number of articles published in American national periodicals since 1965 on the subjects of pollution and population growth continues, by 1990 nothing will be published that does not deal with one or the other subject. Hopefully, the reader is beginning to grasp the implications of the logic of the exponential curve. It cannot go on indefinitely.

A World of Scarcity

Economists who see economic growth as *the* national goal of economic policy are pursuing a demon. It necessitates demonic means to sustain such growth in the aggregate. Ours is a limited world with limited resources. Aggregate production figures cannot grow indefinitely. (You will notice how the language of material *progress* and material *finitude* eventually brings us to an impasse.) In order for exponential growth of aggregate output over long periods of time to occur, the universe would have to be infinite, which it is not. For example, if we were to keep the money supply constant in an economy with a constant increase in the output of goods and services, we either would see the velocity of money increasing wildly (i.e., the number of transactions involving money

during a fixed period of time), or else prices would approach zero.

An economist knows that this is impossible; the very science of economics is based on the assumption that there is such a thing as a scarcity of economic resources. The very definition of scarcity—that at zero price, there will be an excess of demand over the supply of all goods—militates against such a vision of constantly expanding output. Nevertheless, present-day Keynesians and semi-Keynesians advocate a constant increase in the money supply in order to “stimulate” the aggregate economy into greater output. What is acknowledged to be an impossible goal *in theory* with the example of the fixed money supply (because of a finite world) is somehow presumed to be possible *in practice* if the money supply is expanded at a constant rate. In other words, the mere printing of money and/or the creation of credit translates a world of scarcity into a world of total abundance.

Mises is correct: we have here a philosophy of “stones into bread.”³⁰ What Christ regarded as a demonic philosophy (Luke 4:3,4), the Keynesians have

³⁰ Ludwig von Mises, “Stones into Bread, the Keynesian Miracle,” in Henry Hazlitt (ed.), *The Critics of Keynesian Economics* (Princeton: Van Nostrand, 1960).

adopted as gospel truth. (Keynesians may resent my caricature of their position; if so, they will begin to understand my resentment against the use of this very caricature by proponents of Keynesian policies in the popular press: the public has swallowed an academic stone under the impression that it was steak.)

Any increase of the money supply at a rate above zero per cent (yes, even as "low" as 3 to 5 per cent) will eventually create a money supply which will defy calculation, producing what Mises has called the "crack-up boom." Men will abandon the use of the particular currency in favor of another currency or even in favor of barter, just as they did in Germany in the early 1920's. When I presented this argument recently, it evoked this response:

Compound interest, which has been with us for centuries and forms the mainspring of all savings is an exponential curve. My first admonition as a child was "put your money in a bank and watch it grow."

It is very true that this growth has been interrupted in the past by bank failures and the like, but this has not taken place to a great extent in the last 30 years. Surely every right-thinking person does not want things like that to occur again. Banks must maintain sufficient currency to protect their depositors, and to do so,

there must be [a] continually increasing money supply to cover interest accumulations.

The thing which astounded me when I first read this letter was that a man whose instincts are clearly procapitalism argues in favor of inflation because he has been led to believe that the best way to defend capitalism is in terms of the logic of the exponential curve. Yet it is because the exponential curve *cannot* be sustained over time, since we live in a world of scarcity, that men should make their defense of the free market. If all goods were free, economics as a science would not exist. Men would not then need to economize. Instead of re-examining the philosophy of compound interest, the man I've quoted felt compelled to recommend the inflation of the exponential curve.

Usury Deplored

Medieval theologians, who were social and economic thinkers, followed the Old Testament's provisions against the taking of usury. They saw, in an admittedly obscure fashion, that a man must not demand an automatic payment of interest unless he shares in the risk of the failure of the particular enterprise. Using modern economic categories, we can say that

profit, which stems from an accurate forecast of future demand and efficient planning in terms of that forecast, inevitably involves *risk*.³¹ The fact that loss occurs with at least equal frequency with profit should indicate the impossibility of perpetual, guaranteed compound interest.

All firms cannot make equal profits all of the time; the very nature of profit forbids the possibility of a universal guarantee of returns in the aggregate. The man who expects such a universal compounding of interest payments would have to take seriously the inevitable subtitle: "assuming positive interest rates and no natural or man-made catastrophe." Population growth, if it continues, will create its own catastrophe; the same is true of any policy of inflation used in order to sustain the continuous payment of compound interest. In the short run, an *individual* can "put his money in a bank and watch it grow." In the long run, a whole population cannot. We must heed the words of the biologist, Garrett Hardin:

Suppose, for example, that the thirty pieces of silver which Judas earned by betraying Jesus had been put out at 3 per cent interest. If we assume these pieces of silver were

silver dollars, the savings account would today amount to a bit more than 9×10^{14} dollars, or more than \$300,000 for every man, woman, and child on the face of the earth. Since the real economic wealth of the world is certainly much less than that amount, it would be quite impossible for Judas' heirs (all of us, I presume) to close out the account. The balance in the bankbook would be largely fictional.³²

The figure would be fictional in the same way that the GNP figure is fictional: the account could no more be closed out at one time than the total GNP could be sold to a single buyer at one time. If a market for the aggregate figure cannot exist then the "price" of the aggregate goods in either case is fictional.³³ Hardin's conclusion is relevant to the theology of the exponential curve:

A modern William Paley, contemplating bank failures, embezzlements, business collapses, runaway inflation, and revolutions, might well argue that these catastrophes are examples of "design in Nature," for by their presence the impossible consequences of perpetual positive feedback are avoided.

³² Garrett Hardin, "The Cybernetics of Competition," in Helmut Schoeck and James W. Wiggins (eds.), *Central Planning and Neomercantilism* (Princeton: Van Nostrand, 1964), p. 65.

³³ Cf. Henry Hazlitt, *The Failure of the "New Economics"* (Princeton: Van Nostrand, 1960), pp. 410, 411, 418.

³¹ Frank H. Knight, *Risk, Uncertainty and Profit* (New York: Harper Torchbook, [1921] 1964).

Government Intervention

Does this mean that those who favor the free market must be in favor of "bank failures, embezzlements, business collapses, runaway inflation, and revolutions"? Absolutely not. The advocate of the free market favors the interaction of acting men in patterns of voluntary exchange precisely because he wishes to avoid such crises. But in order to be consistent with this goal, he is forced, by definition, to give up the philosophy of perpetual economic growth. No firm can continue to expand forever, no national economy can continue to expand forever: here is the essence of the free market position. *Private economic competition is to replace aggregate economic collapse.* The free market should never be defended, as one captain of American industry tried to defend it, in terms of the slogan, "No limit on tomorrow." In a world of scarce resources there is *always* a limit on tomorrow. We dare not write, as this man wrote in 1955:

I am convinced that there will be no limit on tomorrow, and that our future will be more exciting, more thrilling than any of the periods of progress we have yet experienced. There will, of course, be peaks and valleys as the forces of supply and demand continue to exert themselves. But I am confident that the Ameri-

can people will never satisfy their desires for better living, and that our technology will never cease to accelerate and expand.

This philosophy is far closer to Hegelianism than it is to the modern defense of the free market. It should be left for Soviet theoreticians to play with; defenders of capitalism, given their presupposition of scarcity, dare not use it. Hardin is correct when he writes that "the myth of inevitable technological progress in a laissez faire world" is fallacious.³⁴ We must give up the myth of perpetual, irreversible technological progress if we are to preserve the theoretical validity of free market voluntarism.

The theology of the exponential curve has led to what Harlan Cleveland has called the "revolution of rising expectations." Men begin to believe the promises for an expanding utopia, and when the planners cannot deliver, they turn in fury on those who promised too much. They tear down that system which promoted the myth. If we are to avoid this, we must be careful to defend the free market in other terms. First, the market system provides men with a sphere of freedom and personal responsi-

³⁴ Garrett Hardin, "Not Peace, But Ecology," *Diversity and Stability in Ecological Systems* (Brookhaven Symposia in Biology, #22, 1969), p. 154.

bility in which to exercise their talents, dreams, and faiths. Second, it provides the most efficient mechanism known to man for the production and distribution of wealth, *given the limitations of scarcity*. Third, by making men responsible as individuals for their actions, and by imposing penalties for failure on individuals rather than on whole economies, the market tends to smooth out crises, thereby enabling more peaceful transitions to newer economic conditions. The market promotes social peace.

Statist propagandists have committed us to the theology of the exponential curve. They are determined to see to it that the economy meets the demand of rising expectations. Political administrations like to take credit for "their" achievements economically; these advances *must* continue to grow. Therefore, we see the rush into intervention: natural competition is limited by barriers of knowledge and goods; the statist tries to alleviate this, not by expanding the available supply of resources, but by blaming the shortages on the very process of private competition.

In this attempt, the statist planner is aided by the individual entrepreneur who wishes to secure the benefits of an exponential curve for his company by eliminat-

1859-Issued Bond Now Worth \$30 Million

KANSAS CITY (AP) — Cameron K. Reed says Kansas may owe him \$30 million.

Reed, president of the United Funds, Inc., recently discovered a \$500 bond issued by the territorial government of Kansas on May 14, 1859. Reed said he bought it from a friend for \$25 about 20 years ago, then put it away and forgot it.

"At 10% — the interest it was supposed to draw — the value of the bond doubles about every seven years," Reed said. "That makes it worth about \$30 million."

However, Reed doesn't think he'll try to collect from the state.

"I suppose I'll give it to the Kansas Historical Society," he said, "if it wants the thing."

ing the competition he receives from other firms, especially newer, more vigorous firms. He calls for statist controls to insure his firm's position within the market; statist intervention becomes a form of insurance against private failure. And, as I have warned elsewhere: "Remove the right to personal failure, and you dehumanize man-

kind; a dehumanized mankind cannot hope, as a collective entity, to do anything but fail."³⁵

The free market must not be proclaimed in the name of continual material progress. Progress may be seen as spiritual and moral, though not infinite, in contrast to the total pessimism of twentieth century philosophy. Progress must not be seen as material and technological, in contrast to twentieth century economic propaganda. We have mixed up our categories, at the peril of our civilization. *Short-run* material progress, both individual and collective, is possible; go beyond this and you deny the human condition. Man has his limitations. So does his environment.

Conclusion

Men have a tendency to get their religious presuppositions confused with economic analysis. For example, in my own case, I happen to believe that there will be a time of social peace and moral development on earth. This opinion stems from my interpretation of certain passages of the Bible. I have no illusions that I can derive such an opinion from economic analysis. Therefore, when I see others painting vast pictures of unlimited economic progress for the future,

progress somehow self-generated and self-sustained, I become skeptical. That is theology, not economic analysis.

I am always tempted to offer the prophet Isaiah's ridicule of the idea that material progress, apart from moral progress, is in any way self-sustained: "Come ye, say they, I will fetch wine, and we will fill ourselves with drink; and tomorrow shall be as this day, and much more abundant" (Isa. 56:12). We must drop Rostow's definition of modern industrial society as one in which "compound interest becomes built...into its habits and institutional structure."³⁶ Mises points out with regard to the economic contribution of the Austrian economists:

The greatness of the service these three Austrian economists have rendered by maintaining the cause of economics against the vain critique of Historicism cannot be overrated.

³⁶ Walt W. Rostow, *The Stages of Economic Growth* (Cambridge: The University Press, 1960), p. 7. For a critique on the Rostow thesis, see the symposium of the International Economic Association, Rostow (ed.), *The Economics of Take-off Into Sustained Growth* (New York: St. Martin's, 1963), especially the essay by Simon Kuznets. Rothbard's question undermines the proponents of statist policies to stimulate economic growth: "By what right do you maintain that people *should* grow faster than they voluntarily want to grow?" Murray N. Rothbard, *Man, Economy and State* (Princeton: Van Nostrand, 1962), II: 837.

³⁵ Gary North, "Statist Bureaucracy in the Modern Economy," *THE FREEMAN*, (Jan., 1970), p. 27.

They did not infer from their epistemological convictions any optimism concerning mankind's future evolution. Whatever is to be said in favor of correct logical thinking does not prove that the coming generations of men will surpass their ancestors in intellectual effort and achievements. History shows that again and again periods of marvelous accomplishments were followed by periods of decay and retrogression. We do not know whether the next generation will beget people who are able to continue along the lines of the geniuses who made the last centuries so glorious. We do not know anything about biological conditions that enable man to make one step forward in the march of intellectual development. We cannot preclude the assumption that there may be limits to man's further intellectual ascent. And certainly we do not know whether in this ascent there is not a point beyond which the intellectual leaders can no longer succeed in convincing the masses and making them follow their lead.³⁷

³⁷ Ludwig von Mises, *The Historical Setting of the Austrian School of Economics* (New Rochelle, New York: Arlington House, 1969), p. 38.

In short, do not try to get more out of pure economic analysis than economic analysis can possibly provide. Most of all, when you see presentations of the exponential curve, with extrapolations made into the next century, remember the words of Professor Nisbet with regard to the use of statistical devices in explaining or predicting human affairs:

Here the Random Event, the Maniac, the Prophet, and the Genius have to be reckoned with. We have absolutely no way of escaping them. The future-predictors don't suggest that we can avoid or escape them — or ever be able to predict or forecast them. What the future-predictors, the change-analysts, and the trend-tenders say in effect is that with the aid of institute resources, computers, linear programming, etc. they will deal with the kinds of change that are *not* the consequence of the Random Event, the Genius, the Maniac, and the Prophet.

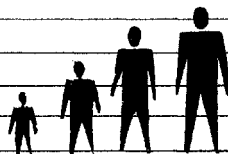
To which I only say: there really aren't any; not any worth looking at, anyhow.³⁸



³⁸ Nisbet, *Commentary*, *op. cit.*, p. 66.

THE
MEASURE
OF A

MAN



WILLIAM L. EDELEN

ONE of the most insulting cults that exists in our society today is the religion that has as its object of worship the common man. You hear people say, "Oh, he's just a common person; you will like him."

What a pathetic distinction to be known as a person who can't compete with the best, to be known as a common man who is to be classified with the most mediocre, the least informed, the least talented, the most common of society. The word *common* means: "crude; without distinction; second rate; inferior; cheap; trite; below normal; unrefined; inelegant." Can you imagine any greater insult than to be called a "commoner"?

What a paradox we are! We praise commonness, the common

man. Yet, if you have need of highly skilled surgery, you want a very uncommon doctor, not one who is average, inferior, second-rate. If you have need for your life to be defended in court, you want a very brilliant, educated, alert, sharp, talented, very uncommon lawyer. You certainly don't want your life in the hands of a cheap, second-rate, inferior lawyer. In war time you certainly don't want to be in a company commanded by a common, second-rate, average, or inferior officer.

Too many have become common. Our community, our nation, and world are crying desperately for uncommon men and women who are excellent, talented, trained, competent, alert, distinguished. Ernest Hemingway called this "the millennium of the untalented." He said: "We are surrounded by actors who cannot act, authors who cannot write, teach-

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ers who cannot teach, singers who cannot sing, speakers who cannot speak, painters who cannot paint."

Charles Conrad, Apollo 12 Commander, had a recent comment on this subject:

If teachers fail to get through to you, you've had it. . . . I had my mind *paralyzed* by dull teachers, my wits numbed by uninspired teaching. One glance at my report card under such teachers and you would have washed me out as a failure.

But then my parents transferred me to a private school in upper New York; and there they grabbed me hard, those teachers. They demanded excellence from me. They let me know that we were not playing games, that we were seriously involved in a thing called education. They had an honor roll—a real honor roll—and rewarded honor roll standing with privileges that made staying on the honor roll a real honor and worth the effort. I graduated at the head of my class, and those two years there changed my entire life.

What we do too often is excuse commonness, mediocrity, regardless of where it is found, if the commonness is sincere. We have this ludicrous belief that if a person is sincere, it excuses everything. But few things are cheaper than sincerity, and few things can be more vicious. Let me illustrate: Hitler *sincerely* desired to get rid of the Jews. That didn't make him

nice. Stalin *sincerely* endeavored to send off to the Siberian death camps any friend of liberty. That didn't make him admirable. Who is more dangerous than a *sincere* fanatic? Who is more exasperating than a *sincere* fool? Robespierre was most *sincere*, even to the point of crying. He wept at the sight of blood, while sending thousands to the guillotine in perfect sincerity. George Bernard Shaw tells us that the devil praises sincerity.

Mediocrity Replaces Excellence

Well, where does the common man *come from*? This worship of the common man permeates and saturates our schools and our culture and our homes. Seniority replaces creativity and talent. Mediocrity replaces excellence. Slothfulness is rewarded or overlooked. The common student and common person is rewarded, so much so some times that excellent students are punished, handicapped, and held back by common parents and by common teachers who resent having an excellent pupil or child.

Eric Hoffer put it this way:

Those who lack talent expect things to happen without effort. They ascribe failure to a lack of inspiration or of ability, or to misfortune, rather than to insufficient application. At the core of every true and great talent there is an

awareness of the difficulties inherent in any achievement and the confidence that by persistence and patience something worthwhile will be realized. Thus, talent is a species of vigor.

Why do we fear demanding excellence? In his latest book, *No Easy Victories*, John Gardner says it well:

Keeping a free society free, vital, and strong is no job for the half-educated and the slovenly. The man who is excellent tones up society and the man who is slovenly, be he janitor or judge, lowers the tone of society. One does not achieve excellence by just "doin' what comes naturally." People don't stumble into excellence. All excellence involves application and tenacity of purpose. An excellent plumber is infinitely more admirable than an incompetent teacher or doctor or lawyer.

A recent publicity film of a large chemical company showed a group of workers in a laboratory, and the announcer said this in his commentary: "No geniuses here, just a bunch of average, common Americans working together." Here is the problem, may I suggest to you: too many want to be a bunch of "average Americans," just a bunch of "common" people. Far too many of us today aspire only to be just one of a "bunch of average Americans."

John Stuart Mill made the ob-

servation about England that can, no doubt, now be said for America: "England now appears only capable of doing things by groups, by combining; but it was individual men of another stamp than this that made England what it has been, and individual men of another stamp will be needed to prevent its decline." William James told America the same thing, at Stanford University in 1906: "The world is only beginning to see that the wealth of a nation consists more than in anything else in the number of superior men that it harbors."

Hiding in the Group

How we escape, too many of us, into the sanctuary of groups and hide there! As common men do, we say, "I'm with them. I'll vote with them. I belong to them; what they do is good enough for me, even if they are idiots. I'm with the city group. I'm with the businessmen." Even if they are wrong, we say: "I'm with the rural group, the farmers. I'm with the Legion, the ADA, AMA, NEA, or NAACP. Right or wrong, honest or false, I'm with them. Democrats, Republicans, Presbyterians, what they think is good enough for me because I still want to be told how to vote, and how to act, and how to think by someone else."

I can hide in the group, and

never have to stand as a man who can think creatively on his own, with only his God as Lord of his conscience. Common men seek the security of the group, the escape of excessive group identification. The group, you see, can save one from the agony and pain and discipline of having to finally face up to knowing oneself and assuming responsibility for one's own thoughts.

The common man surveys the group and the polls to get his beliefs, to see what everyone else is doing, to see what he is supposed to be doing. What everybody else is supposed to be doing sets the precarious standard for the living of his days. As St. Paul put it: "They compare themselves by one another, and measure themselves by one another, without understanding."

Oftentimes we repeat meaningless clichés for so long that we believe them. I think one such is this: "moderation in all things." A friend suggested to me last week that "moderation" is the key to mediocrity. The uncommon people who are memorable, who use their time here on earth to the fullest, have usually been most immoderate, in love, in giving, even immoderate in anger as was Jesus, immoderate in their joy of life.

The Sadducees and Pharisees, within "accepted limits," loved and

lived moderately. Jesus did neither; he immoderately loved those whom the church leaders hated, and he immoderately lived by shattering a great many of their rules and traditions. Socrates was not moderate. Buddha was not moderate. The greats of the world — in religion, science, literature, music, art, education — have not been moderate persons. But they have often forgotten themselves into immortality by vast immoderate creativity and contribution and living. The creative never stay within "accepted limits." That's why they are creative. The definition of "moderate" is "accepted limits."

A man looks back and too often sees a lot more moderate, mediocre *quantity* than *quality* in his life. Somewhere along the line he has sold himself for a measly, trifling thirty pieces of silver — even like Judas — into commonness and mediocrity. The life of Judas is proof of one thing! Men and nations and groups who have sold themselves cheap, proceed to be their own hangmen.

The Modern Levelers

The problem of how to dispose of time so that it will yield a sense of fulfillment instead of a sense of emptiness is as old as time itself. We say, too often, "Just give me a little more time" to get my life,

my goals, my ambitions, my aims squared away. But time runs out. We quit growing, we quit striving, we quit climbing, we quit thinking, we quit our ideals, and wonder why life has lost meaning. Too many of our lives are stuck in common grooves.

What groove are we stuck in? We have the same brains as our neighbor, the same thoughts, the same car, the same clothes, the same type house, the same type furniture, the same personality. We are all interchangeable and yet, we talk about being individuals, we talk about being original, we talk about being creative, we talk about being unique, uncommon individuals.

Federal Judge Learned Hand prophetically observed forty-five years ago:

The mass of us take our virtues and our tastes, like our shirts and our furniture, from the limited patterns which the market offers.

At the disposal of those who seek mass production of ideas, tastes, morals, and habits are the press, the tabloid, the weekly, the radio, the moving picture: these are the great engines of our modern levelers. Along with them are sales catalogues, advertisements, posters, fiction, timid, fearful preachers and teachers.

Since our ancestors fully straightened their knees and rose upon their hind legs to become *Homo sapiens*,

there has never been one-tenth as many people in the world who felt alike, ate alike, slept alike, hated alike, loved alike, wore the same clothes, used the same furniture in the same houses, approved the same sentiments, believed in the same God, and were all confidently assured that nothing was lacking to their complete realization of the human ideal.

Over that chorus the small voice of the individual sounds not even the thinnest obbligato, and it almost seems preposterous for him to sing at all.

The most destructive thing we can do is to compare ourselves with our neighbors and measure ourselves in relation to them. What is your standard of measurement? What neighbor, what group, what poll, what person, what book, what ideal, what philosophy, what understanding of God, what truth, what love?

Great Man Like Lightning

Carlyle used the best words: "The great man is like lightning; and the rest of men waited for him, like fuel, so that they, too, would flame." Have you known such a person who fed you like fuel so that you, too, could flame? If so, you are very fortunate; stay close by that person. Do you want to be around those too much who bring you down to the mediocre, or around those who stimulate you mentally, emotionally, spiritually,

and raise and inspire you to become more truly the person you would like to be? Let some uncommon one, like lightning, touch off the spark in you — and start believing in you — and watch what happens!

The uncommon man is continually seeking wisdom, making an attempt to *grow* in his ability to make wise, independent decisions, based upon accurate facts, clear reasoning and understanding, justice and rightness. The uncommon man, or woman, is excellent, su-

perior, distinguished, first-rate, valuable, elegant, intelligent, refined. The world is crying for uncommon men and uncommon women.

We can't be *all* of these things, you and I, but we can start *thinking* on these things. For if we, individually, have no goals or ideals or thoughts that have to do with human excellence and human distinction, then, we are, of all people, the most to be pitied and the most pathetic. 

What Is My Life?

HUMAN LIVES begin as diamonds do,
Dull and rough, like common pebbles.
Some are large, blue-white, and perfect underneath;
Most are small, off-color, flawed —
But all are precious, latent with a dazzling beauty.
What is my life?
It's taking my rough pebble, large or small,
And working at it year by year,
Cleaving off this flaw, and that.
Polishing facets one by one,
Until, naked before the world,
My true self stands revealed, calm and proud,—
And adds its small, but radiant brilliance,
To the smoldering fire of man's emergence
From his savage past.

IDEAS ON



LIBERTY

RICHARD L. ROPIEQUET, *President*
Alta Industries, Inc., Portland, Oregon

RELIGION and CAPITALISM: ALLIES, NOT ENEMIES

EDMUND OPITZ has come up with the most tantalizing title of the decade, if not the century: *Religion and Capitalism: Allies, Not Enemies* (Arlington House, \$7.00). I don't know what I expected when I opened the book, but I was set for much more about capitalism than is to be found in Mr. Opitz's absorbing pages. Curiously, the subject of economics takes a back seat here while Mr. Opitz endeavors, with a lucidity that recalls Lecomte du Noüy's *Human Destiny*, to show that man is rooted not only in a natural order and a social order but also in a transcendent order which has endowed him with certain inalienable rights that are antecedent to government. Capitalism is what results when men, acting on their rights as individuals, freely deploy their workaday energies in time and space. It is an afterthought, really, in the context of Mr. Opitz's larger theme, which is nothing less than the destiny of man.

Since I am not a theologian, I

have to wrestle for my own lucidity when dealing with a du Noüy or an Opitz. I believe in the doctrine of natural rights, for I feel that I know that murder, theft, double-dealing, lying, covetousness, and private coercion are in the nature of things wrong for human beings in their relations with each other. It is as natural as blood pressure to think that my body and my substance are my own, to do with as I please if I do not invade the rights of others. And it follows that government has no more business to rob me for the benefit of others than private individuals. But no Transcendent Being has ever spoken to me out of a burning bush, so I have never been able to cite an explicit divine sanction for my credo. I have had to assume that something "out there" corresponds with my subjective thoughts — and "oughts."

Though he says that the "reinstatement" of the human mind "as an independent reality" does not by itself "verify religion," Mr.

Opitz obviously thinks that any mind that can "produce order" (to use Plato's phrase) and "know the world of extended matter . . . and transform it . . . in the light of a still more attractive and commanding good" (see Professor E. A. Burtt) has a quality that relates to divinity. The mind is not merely a part of the social order nor even of the natural order, for thoughts do not have tangible properties. They transcend the world of physics and chemistry. A scientific hypothesis must come before a scientific experiment, and a mind can make qualitative judgments, which is something that transcends science itself.

Mr. Opitz deduces from the fact of mind that humanity is involved in a radically different order that lies beyond the social and natural worlds. It is the mind within us (Mr. Opitz is chary about talking of "soul," or even the French "esprit") that enables us to make contact with the order-giving Intelligence that is "out there." This gives rise to the religious view of things that connects rights with God's commandments, as quintessential in the Decalogue.

The History of Human Rights

If this gets a little tenuous for one who has been brought up in a secular world, one can take a second breath and follow Mr. Opitz

through history. Mr. Opitz compares the world's great cultures. Where rulers have been considered the agents of God and the custodians of permissions and privileges (sometimes miscalled rights), the results have been bloody tyrannies. But where rights have been considered as something antecedent to government, liberal orders have been created, scientific discoveries have flourished, and production has risen as free individuals have competed to suggest the best economic disposition of scarce means.

The Stoics talked about natural law, but it was Christianity, with its distinction between what was God's and what was Caesar's, that gave the real impetus to Western man's quest for a political order that would respect the rights that are antecedent to government. If natural — or God-given — rights exist, there are some things which are beyond the competence of the state to tamper with or alter by legislation. It does not matter whether the state is run by a monarch, an oligarchy, or by the "sovereign people." It is just as wrong for a majority of 51 per cent of the voters to kill or despoil individuals as it is for a dictator to do it.

When Christendom was synonymous with the culture of the West, it was easy to argue that God was

the author of the individual's inalienable rights. This sufficed to topple kings. The American colonists, church-goers, and Bible-readers for the most part, could follow the Founding Fathers when they wrote the theory of natural rights dependent on "nature's god" into the Constitution, with its appended Bill of Rights.

"Consent of the Governed"
Leads to the Welfare State

But with the continuing secularization of the world in the late eighteenth and nineteenth centuries the religious sanction has lost its compelling character. We now talk more about the "consent of the governed" than we do about "inalienable rights." Locke, a split character who had traced the origins of rights to a mythical prehistoric "social compact" but who had also said that nobody was justified in interfering with a person's property or hope of Heaven, helped topple King James II, but what Britain got in the place of a divine-right monarch was a "tyranny of the majority" in parliament.

So today the "immemorial rights of Englishmen" have been sadly undermined by the "consent of the governed" to whatever parliament has cared to decree by sometimes narrow voting margins. The Englishman's home is no longer his

castle, the first call on his income belongs to the Welfare State, and he has the devil of a time getting foreign exchange for travel. No "inalienable rights" in a secularized London.

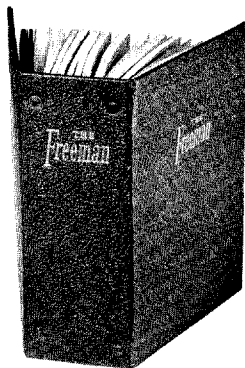
And, as Mr. Opitz makes plain, we in the United States are going the same route. In the economic world the destruction of the doctrine of rights has resulted in a pervasive trend toward statism. Capitalism could flourish in a Christian order in which men were free to make their own decisions — and their own mistakes. But it cannot flourish in an order which regards rights as subject to infringement by "the people," who can become pretty covetous when the Decalogue "shalt not" about covetousness is no longer considered a moral law that corresponds with a command from "out there." When rights are subject to the will of 51 per cent, a majority will rob a minority blind.

The Voluntary Way

Mr. Opitz's work is studded with brilliant perceptions that would grace a book of aphorisms. The opposite of majority rule, he says, is not minority rule, it is individual liberty. The members of our self-chosen intellectual elite, he notices, regard the common man as the embodiment of superior political wisdom, yet (see Ken-

neth Galbraith) consider this same common man as "incompetent to select his own toothpaste." As for free choice in economic as in other matters, Mr. Opitz observes that "the God who gave us inwardly such complete freedom that we could either accept or reject Him" would hardly fail to will "that the relationships between men should be voluntary." The Fall in the Garden of Eden — or "original sin" — made government necessary, but, says Mr. Opitz, it does not follow from this that "governmental action" is the proper remedy for sin. The business of government is to repress criminals and to prevent destructive actions, leaving men free to act constructively and creatively for themselves.

Mr. Opitz says relatively little about capitalism as religion's "ally," for his prime concern is with the ends of human life, not its means. (He does, in passing, expose the illogical nature of Christian Socialism.) Economics, of course, is a science of means. Capitalism is the science of means as exemplified in its free operation. The "means" can't operate as an "ally" if the ends of freedom are destroyed. Mr. Opitz is all for a libertarian economics, and for the capitalist order, but economics, as he puts it, "is only a part of life." It is not enough to defend capitalism as such if you want to save it; it will save itself if the idea of inherent rights is revalidated, which Mr. Opitz has taken it as his task to do. 



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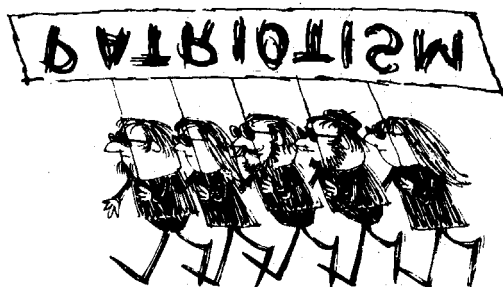
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THE NEW PATRIOTS

E. F. WELLS

WAR PAINT zig-zagged across his cheeks, contrasting curiously with the black judge's robe. The mad abandonment of his dark brown hair matched well the wild irrationality of his talk. Standing, he dramatically ripped the robe to shreds to demonstrate his contempt both for judges and for the law.

Jerry Rubin is one of the new breed who call themselves Patriots and proudly proclaim a close affinity to the Patriots of 1776. How valid is their boast? Is there really a relationship?

On the Question of Liberty: On the eve of the American Revolution, the Virginia House of Bur-

gesses voted to condemn the Stamp Act. But Patrick Henry wanted something more. He proposed that anyone who said Parliament had the right to tax should be denounced as an enemy of the people.

So intensely did these early Patriots value liberty, they voted down Patrick Henry's motion. Much as they wished to protect their own rights, they had no desire to silence others. As late as 1777, in the town of Braintree, Massachusetts, the Reverend Edward Winslow continued to pray openly for George III without interference. The Constitution of Pennsylvania, adopted in 1776, was the first in history to guarantee "that the people have a right to freedom of speech."

Mr. Wells has been an educator and currently is a free-lance writer and supervisory training consultant.

Contrast this love of freedom to the disrespect displayed by the new radicals who cause such an uproar on campus that speakers holding unpopular views cannot be heard; classes cannot be held. Compare this respect for dissent to the program advocated by Herbert Marcuse, Professor at the University of California in San Diego. Leading spokesman for the New Left, Marcuse has described a plan that "would include the *withdrawal of toleration of speech and assembly* from groups and movements which promote aggressive policies, armament, chauvinism, discrimination on the grounds of race and religion, or which oppose the extension of public services, medical care, and so forth."

So inclusive a policy would deny liberty to the man who complained about high taxes, as well as the woman who expressed a love of country. If all these were silenced, who would be left to carry on the many activities that sustain life on this earth? *How* would they be silenced? But Marcuse feels no need for explanations. He has made it abundantly clear that his interest in society stops with the revolution.

On the Matter of Responsibility: Painfully lacking is the tremendous sense of social responsibility

that characterized men such as George Washington, John Adams, Thomas Jefferson, and Benjamin Franklin.

By inclination and desire, Washington was a farmer. He wanted no part of revolution. But once war appeared inevitable, he accepted what he felt was a moral obligation. He agreed to command the Continental Army on the condition that he be paid no salary and be reimbursed only for his expenses. He even confided to Patrick Henry that "from the day I enter upon the command of the American armies, I date my fall, and the ruin of my reputation." So he did not seek glory. He fully recognized the awesome difficulties that lay ahead; yet he accepted without hesitation. Again, when he was needed to bring the union together, he agreed, again stipulating that he would accept no salary, only his expenses.

Match this with the irresponsibility so flagrantly displayed by the New Patriots. Jerry Rubin, of the Chicago 7, advocates a new generation of people who are freaky, crazy, irrational, sexy, angry, irreligious, and mad. People who burn draft cards. People who burn dollar bills. People who burn M.A. and doctoral degrees. People who say to hell with your goals. But even more irresponsibly, he urges other revolutionaries

to pervert and destroy the young, luring them to smoke pot and use the mind-destroyer, LSD. "Don't pay attention to what your parents, your teachers, your ministers, your doctors, your neighbors say," he advises the young, "they don't know anything."

Where is the resemblance between such errant nonsense, such *vicious* advice, and the strong sense of values expressed by the men who wrote the Bill of Rights and the Constitution of the United States? It is blasphemy to equate the two!

On the Respect for Knowledge: Once, when President John F. Kennedy was entertaining a group of Nobel prize winners, he remarked, "This is the most extraordinary collection of talent . . . that has ever been gathered together at the White House—with the possible exception of when Thomas Jefferson dined alone."

Men such as Jefferson, James Madison, Alexander Hamilton, John Adams, and Benjamin Franklin possessed mighty intellects. Madison appeared to live wholly in the world of ideas. While still in college, Hamilton was writing serious pamphlets on the legal questions of the day. For years, Jefferson kept a "Commonplace Book," in which he jotted down and sometimes summarized the volumes he

read, including ideas inspired by those books. Out of 905 entries, 550 were made while he was a student and a young lawyer. Most dealt with highly technical aspects of law and politics, including evaluations of Beccaria and Montesquieu. Before he wrote the Declaration of Independence and drastically influenced the creation of the Bill of Rights, Jefferson had absorbed the thoughts of all the great political philosophers.

John Adams had such respect for facts that he could see all sides of an issue. He was so objective, even those with whom he joined forces were not always certain he was with them. Yet they were enormously pleased when he was, for he was incorruptible, intelligent, and *usually right*.

Benjamin Franklin, indentured at twelve as a printer's devil to his brother, James, soon discovered that by economizing on food he could save half his salary for books. Throughout his long, useful life, he continued a program of self-education.

The New Left, on the other hand, is frankly anti-intellectual. Ask them what form of government they would have to replace our republic; they have no answer. A few speak of communism, but they have given little thought as to what form it will take. Some talk hopefully of "Participatory

Democracy," but when asked for a fuller explanation, it turns out to be merely another scheme for redistributing the wealth. Their emphasis on local control usually refers to personal management of welfare funds. Early in the civil rights movement, the Students for a Democratic Society (SDS) stressed "control of antipoverty funds." The more militant want control of the police as a necessary step in the overthrow of the government. The old and splendid concept of participatory democracy requiring individual initiative and genuine effort appears incomprehensible to them.

They are not even well read in Marxism. If they were, they might laugh themselves into a state of reasonableness by seeing what an ironic jest they are playing on that dead philosopher. His was to be a revolution of the *working* proletariat. Marx never once wavered in his belief that the workers created the wealth, therefore, it belonged to them. So what a farce it is to watch university students, most of whom have never worked, organizing welfare recipients, some of whom are the idle offspring of parents who never worked, into a revolutionary movement to carry out Marx's theories. I doubt that the irate German would have appreciated being so misunderstood. But as

Milovan Djilas wrote in *The Imperfect Society*, "ideas are like vampires; ideas are capable of living after the death of the generations and social conditions in and by which they were inspired." Furthermore, they are often borrowed by men incapable of comprehending the originator's intent, and the damage they do is sometimes irreparable.

Few of the new breed seem capable of comprehending the awesome consequences of their rebellion. They cry out against the Establishment, yet their every act leads to more Federal government, more centralized control. Marcuse has said that what happens after the holocaust is not his affair. Apparently he is excused from producing any answers since negative thinking only negates.

So let's really tell it like it is for once. Members of the New Left flatter themselves when they seek to borrow respectability from the Patriots of 1776. The early revolutionaries were dedicated men, willing to submit to the rigid discipline of long hours of agonizing political thought.

On the Question of Limited Government: All that sweltering summer night printer John Dunlap and his typesetters worked feverously to complete the first handbills of the Declaration of Inde-

pendence. Early the next morning, newsboys were on the streets hawking it, scarcely aware they were selling a glorious belief in the equality of free men. It was the gauntlet thrown at the King, the beginning of the difficult struggle for government *by the consent of the governed*, and strictly limited government at that.

Even when the loose Articles of Confederation proved inadequate, those meeting in Philadelphia to create the Constitution did everything within their power to guard the people against being overwhelmed by big government, a fact made amply clear by the Tenth Amendment. Yet even so mild a document might never have been ratified had not George Mason, Thomas Jefferson, and other strong voices urged that a Bill of Rights be included. Certainly Madison, Hamilton, and John Jay went to sufficient lengths in the *Federalist Papers* to assure the people that, with the exception of specified powers, the Federal government was not to usurp the rights of the states or of the people.

Although there is little unanimity of thought among the New Left, or even much thought, those who do have a program favor some form of socialism. While railing against big government, they invite more. They have not yet faced

up to the fact that socialism would not rid them of General Electric or Ford Motor Company. General Electric would simply be amalgamated with Westinghouse, Consolidated Edison, Western Electric, and Radio Corporation of America into one terrifyingly cumbersome Bureau of Electricity. Government owned and operated, government could solve power shortages by decree. Television being unimportant except for propaganda purposes, viewing hours could be restricted to half-hour harangues by Jerry Rubin or Abby Hoffman, encoring with lectures on dialectical materialism by Herbert Marcuse — provided, of course, critic Marcuse was not the first to be silenced.

In THE FREEMAN of December 1969, Orien Johnson quoted from a program formed by several "Berkeley Liberation Committees." These young radicals believe they can gain "more control over their lives" by confiscating the profits of local business and industry and taxing nearby universities. To succeed in such a seizure, they would first have to command both the police and the national guard. This would necessitate an overthrow. They would then be in power in Washington and not merely in charge of the Berkeley area. All the problems of the Union would fall upon them, and they have yet to prove they would be less tyrannical.

nical than the present government.

It took courage to sign the Declaration of Independence. The penalty was hanging. To pay so high a price, a man had to believe in a dream. That dream was self-control under limited government. Nothing I have read or heard expressed by the new breed of pseudo Patriot has led me to think they even know the meaning of the term.

On Moral Excellence: In recent years cynics have taken a malicious delight in trying to destroy the image of the Patriots of 1776. But even the most diligent search has failed to reveal anything more scandalous about George Washington than that he uttered an angry oath when he saw Charles Lee treacherously retreating before General Clinton's redcoats at Monmouth. Many among the New Left are incapable of expressing a thought without resorting to language so offensive it rarely reaches the popular press.

Thomas Jefferson made his wife a vow that he would never remarry. Although he was a young man of 39 when she died, he kept that vow. Permanent commitments are scorned by the new breed.

Certainly the Revolutionary Cause attracted its share of rogues, as do all causes. Samuel Adam's distorting of the news was scur-

rilously dishonest. But most of the leaders were created from as splendid a pattern for mankind as has ever yet been devised. Disciplined, they ruled their passions. Idealistic, they worked to achieve sound goals. Generous, they devoted their lives to leave us a rich legacy of liberty and law. Speaking of George Washington in a letter to J. Melish, Jefferson wrote, "He asseverated to me a thousand times his determination that the existing government should have a fair trial and that in support of it he would spend the last drop of his blood." The record of his dedicated life proves this was no idle vow!

If there is any discipline among the New Patriots, it exists most prominently within the Progressive Labor Party, the cadre most closely allied with Communist China. This tiny group believes that "decadence never made a Revolution," but the mobs of Paris disproved that.

If the new breed are idealistic, it is a twisted kind of idealism, willing to pervert, to sacrifice the young for the sake of some poorly defined goal. As John Gardner, Chairman of the Urban Coalition, described it, it is "rage and hate in a good cause, being vicious for virtue, self-indulgent for higher purposes, dishonest in the service of a higher honesty."

As for generosity, they have nothing to give. Bereft of ideas, they distort Marx to fit their purpose. Unwilling to work, they wish to confiscate the taxes and the profits of the industrious. Hypocritically inconsistent, they profess to love mankind while hating man.

"The aversion to restraint," wrote Alexander F. Tytler in *Universal History*, "assumes the same external appearance with the love of liberty; but this criterion will enable us to distinguish the real-ity from the counterfeit. In fact,

the spirit of liberty and a general corruption of manners are so totally adverse and repugnant to each other, that it is utterly impossible they should have even the most transitory existence in the same age and nation."

Yet throughout history, as in Athens and in Rome, license disguised as liberty, libertines masquerading as patriots have been used to enslave those who refused or could not distinguish the difference. 

The Right to Life

TO SAY that you have a right to life, is to affirm that no other entity on this earth is authorized to take your life. It is not to say that other entities are obligated to sustain your life.

For to live as a human being is not merely to exist, but is to employ to their utmost, those faculties with which you have been endowed. Your right to life is the right to work and think, without interference, within the constraints of a peaceful society.

You have no right to an existence which imposes positive obligations upon others to maintain your existence. Such arrangements must be undertaken on a voluntary basis. To insist otherwise is to affirm your status as master, and that of another as slave.

C. REBERT, *Menlo Park, California*

IDEAS ON



LIBERTY



Should Teen-agers Vote?

FREDERIC BASTIAT

Extension of the voting franchise has been a feature of popular clamor ever since the appearance of democratic institutions. Why? Why do citizens put more emphasis on voting than on jury duty, for instance? Why is voting thought of as a privilege to be sought rather than a duty to be performed? The real reason is rarely advanced in our times. So, let's turn back to the troubled France of 1848 and reflect with that brilliant analyst and exposé of political sham, Frederic Bastiat. As if writing for us today, he supplies the answers with crystal clarity.

SINCE MAN is naturally inclined to avoid pain—and since labor is pain in itself—it follows that men will resort to plunder whenever plunder is easier than work. History shows this quite clearly. And under these conditions, neither religion nor morality can stop it.

When, then, does plunder stop? It stops when it becomes more painful and more dangerous than labor.

It is evident, then, that the proper purpose of law is to use the power of its collective force to stop this fatal tendency to plunder instead of to work. All the measures of the law should protect property and punish plunder.

But, generally, the law is made by one man or one class of men. And since law cannot operate without the sanction and support of a dominating force, this force must be entrusted to those who make the laws.

This fact, combined with the fatal tendency that exists in the heart of man to satisfy his wants with the least possible effort, explains the almost universal perversion of the law. Thus it is easy to understand how law, instead of checking injustice, becomes the invincible weapon of injustice. It is easy to understand why the law is used by the legislator to destroy in varying degrees among the rest of the people, their personal inde-

pendence by slavery, their liberty by oppression, and their property by plunder. This is done for the benefit of the person who makes the law, and in proportion to the power that he holds.

Victims of Lawful Plunder

Men naturally rebel against the injustice of which they are victims. Thus, when plunder is organized by law for the profit of those who make the law, all the plundered classes try somehow to enter — by peaceful or revolutionary means — into the making of laws. According to their degree of enlightenment, these plundered classes may propose one of two entirely different purposes when they attempt to attain political power: either they may wish to stop lawful plunder, or they may wish to share in it.

Woe to the nation when this latter purpose prevails among the mass victims of lawful plunder when they, in turn, seize the power to make laws!

Until that happens, the few practice lawful plunder upon the many, a common practice where the right to participate in the making of law is limited to a few persons. But then, participation in the making of law becomes universal. And then, men seek to balance their conflicting interests by universal plunder. Instead of root-

ing out the injustices found in society, they make these injustices general. As soon as the plundered classes gain political power, they establish a system of reprisals against other classes. They do not abolish legal plunder. (This objective would demand more enlightenment than they possess.) Instead, they emulate their evil predecessors by participating in this legal plunder, even though it is against their own interests.

It is as if it were necessary, before a reign of justice appears, for everyone to suffer a cruel retribution — some for their evilness, and some for their lack of understanding.

The Results of Legal Plunder

It is impossible to introduce into society a greater change and a greater evil than this: the conversion of the law into an instrument of plunder.

What are the consequences of such a perversion? It would require volumes to describe them all. Thus we must content ourselves with pointing out the most striking.

In the first place, it erases from everyone's conscience the distinction between justice and injustice.

No society can exist unless the laws are respected to a certain degree. The safest way to make laws respected is to make them respect-

able. When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law. These two evils are of equal consequence, and it would be difficult for a person to choose between them.

The nature of law is to maintain justice. This is so much the case that, in the minds of the people, law and justice are one and the same thing. There is in all of us a strong disposition to believe that anything lawful is also legitimate. This belief is so widespread that many persons have erroneously held that things are "just" because law makes them so. Thus, in order to make plunder appear just and sacred to many consciences, it is only necessary for the law to decree and sanction it. Slavery, restrictions, and monopoly find defenders not only among those who profit from them but also among those who suffer from them....

Another effect of this tragic perversion of the law is that it gives an exaggerated importance to political passions and conflicts, and to politics in general.

I could prove this assertion in a thousand ways. But, by way of illustration, I shall limit myself to a subject that has lately occupied the minds of everyone: universal suffrage.

Who Shall Judge?

The followers of Rousseau's school of thought—who consider themselves far advanced, but whom I consider twenty centuries behind the times—will not agree with me on this. But universal suffrage—using the word in its strictest sense—is not one of those sacred dogmas which it is a crime to examine or doubt. In fact, serious objections may be made to universal suffrage.

In the first place, the word *universal* conceals a gross fallacy. For example, there are 36 million people in France. Thus, to make the right of suffrage universal, there should be 36 million voters. But the most extended system permits only 9 million people to vote. Three persons out of four are excluded. And more than this, they are excluded by the fourth. This fourth person advances the principle of *incapacity* as his reason for excluding the others.

Universal suffrage means, then, universal suffrage for those who are capable. But there remains this question of fact: Who is capable? Are minors, females, insane persons, and persons who have committed certain major crimes the only ones to be determined incapable?

A closer examination of the subject shows us the motive which causes the right of suffrage to be

based upon the supposition of incapacity. The motive is that the elector or voter does not exercise this right for himself alone, but for everybody.

The most extended elective system and the most restricted elective system are alike in this respect. They differ only in respect to what constitutes incapacity. It is not a difference of principle, but merely a difference of degree.

If, as the republicans of our present-day Greek and Roman schools of thought pretend, the right of suffrage arrives with one's birth, it would be an injustice for adults to prevent women and children from voting. Why are they prevented? Because they are presumed to be incapable. And why is incapacity a motive for exclusion? Because it is not the voter alone who suffers the consequences of his vote; because each vote touches and affects everyone in the entire community; because the people in the community have a right to demand some safeguards concerning the acts upon which their welfare and existence depend.

I know what might be said in answer to this; what the objections might be. But this is not the place to exhaust a controversy of this nature. I wish merely to observe here that this controversy over universal suffrage (as well as

most other political questions) which agitates, excites, and overthrows nations, would lose nearly all of its importance if the law had always been what it ought to be.

In fact, if law were restricted to protecting all persons, all liberties, and all properties; if law were nothing more than the organized combination of the individual's right to self-defense; if law were the obstacle, the check, the punisher of all oppression and plunder — is it likely that we citizens would then argue much about the extent of the franchise?

Under these circumstances, is it likely that the extent of the right to vote would endanger that supreme good, the public peace? Is it likely that the excluded classes would refuse to peaceably await the coming of their right to vote? Is it likely that those who had the right to vote would jealously defend their privilege?

If the law were confined to its proper functions, everyone's interest in the law would be the same. Is it not clear that, under these circumstances, those who voted could not inconvenience those who did not vote?

The Fatal Idea of Legal Plunder

But on the other hand, imagine that this fatal principle has been introduced: Under the pretense of

organization, regulation, protection, or encouragement, the law takes property from one person and gives it to another; the law takes the wealth of all and gives it to a few—whether farmers, manufacturers, shipowners, artists, or comedians. Under these circumstances, then certainly every class will aspire to grasp the law, and logically so.

The excluded classes will furiously demand their right to vote—and will overthrow society rather than not to obtain it. Even beggars and vagabonds will then prove to you that they also have an incontestable title to vote. They will say to you:

“We cannot buy wine, tobacco, or salt without paying the tax. And a part of the tax that we pay is given by law—in privileges and subsidies—to men who are richer than we are. Others use the law to raise the prices of bread, meat, iron, or cloth. Thus, since everyone else uses the law for his own profit, we also would like to use the law for our own profit. We demand from the law the *right to relief*, which is the poor man’s plunder. To obtain this right, we also should be voters and legislators in order that we may organize Beggary on a grand scale for our own class, as you have organized Protection on a grand scale for your class. Now don’t

tell us beggars that you will act for us, and then toss us... [a few] francs to keep us quiet, like throwing us a bone to gnaw. We have other claims. And anyway, we wish to bargain for ourselves as other classes have bargained for themselves!”

And what can you say to answer that argument!

As long as it is admitted that the law may be diverted from its true purpose—that it may violate property instead of protecting it—then everyone will want to participate in making the law, either to protect himself against plunder or to use it for plunder. Political questions will always be prejudicial, dominant, and all-absorbing. There will be fighting at the door of the Legislative Palace, and the struggle within will be no less furious....

How to Identify Legal Plunder

But how is this legal plunder to be identified? Quite simply. 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.

Then abolish this law without delay, for it is not only an evil itself, but also it is a fertile source

for further evils because it invites reprisals. If such a law — which may be an isolated case — is not abolished immediately, it will spread, multiply, and develop into a system.

The person who profits from this law will complain bitterly, defending his *acquired rights*. He will claim that the state is obligated to protect and encourage his particular industry; that this procedure enriches the state because the protected industry is thus able to spend more and to pay higher wages to the poor workmen.

Do not listen to this sophistry by vested interests. The acceptance of these arguments will build legal plunder into a whole system. In fact, this has already occurred. The present-day delusion is an attempt to enrich everyone at the expense of everyone else; to make plunder universal under the pretense of organizing it. . . .

The Choice Before Us

This question of legal plunder must be settled once and for all, and there are only three ways to settle it:

1. The few plunder the many.
2. Everybody plunders everybody.
3. Nobody plunders anybody.

We must make our choice among limited plunder, universal plunder,

and no plunder. The law can follow only one of these three.

Limited legal plunder: This system prevailed when the right to vote was restricted. One would turn back to this system to prevent the invasion of socialism.

Universal legal plunder: We have been threatened with this system since the franchise was made universal. The newly enfranchised majority has decided to formulate law on the same principle of legal plunder that was used by their predecessors when the vote was limited.

No legal plunder: This is the principle of justice, peace, order, stability, harmony, and logic. . . .

The Proper Function of the Law

And, in all sincerity, can anything more than the absence of plunder be required of the law? Can the law — which necessarily requires the use of force — rationally be used for anything except protecting the rights of everyone? I defy anyone to extend it beyond this purpose without perverting it and, consequently, turning might against right. This is the most fatal and most illogical social perversion that can possibly be imagined. It must be admitted that the true solution — so long searched for in the area of social relationships — is contained in these simple words: *Law is organized justice.*

Now this must be said: When justice is organized by law — that is, by force — this excludes the idea of using law (force) to organize any human activity whatever, whether it be labor, charity, agriculture, commerce, industry, education, art, or religion. The organizing by law of any one of these would inevitably destroy the essential organization — justice. For truly, how can we imagine force being used against the liberty of citizens without its also being used against justice, and thus acting against its proper purpose?

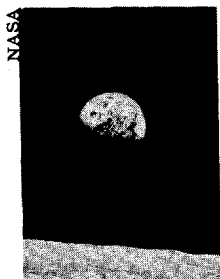
Here I encounter the most popular fallacy of our times. It is not

considered sufficient that the law should be just; it must be philanthropic. Nor is it sufficient that the law should guarantee to every citizen the free and inoffensive use of his faculties for physical, intellectual, and moral self-improvement. Instead, it is demanded that the law should directly extend welfare, education, and morality throughout the nation.

This is the seductive lure of socialism. And I repeat again: these two uses of the law are in direct contradiction to each other. We must choose between them. A citizen cannot at the same time be free and not free. ☸

Bastiat's *The Law*, from which the above paragraphs are excerpted, is available from the Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

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Freedom

IN THE GLOBAL VILLAGE

DAVID C. KING

THE VOCABULARY of the space age, with its colorful labels like "spaceship earth" and "the global village," has been eagerly grasped by the champions of world government as a dramatic means of illustrating their cause. We are all "riders on the earth together," they proclaim, and it logically follows that the only means of survival in our journey through space is to function as a single society led by a single government.

With just as much enthusiasm, proponents of individual freedom have attacked these utopian dreams. Those who feel defensive about the creeping encroachments of big government find the new slogans uncomfortable. They can't resist the impulse to deride phrases like "spaceship earth" because

to accept them would seem to be a step toward accepting some form of centralized global authority.

But the whole idea of a global perspective is not really that frightening. In fact, you can make a good case for the thought that acceptance of the spaceship earth analogy should lead us in the direction of less government control rather than more.

In the first place, we should be able to accept the premise that we are indeed living in a "global village." Modern technology has been largely responsible for that; and humanity can no longer live in isolated pockets. Barbara Ward was quite right in saying: "We have become neighbors in terms of inescapable proximity and instant communication. We are neighbors in economic interest and technological direction. We are neighbors

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in the risk of total destruction."¹

Modern problems, such as ecology, urbanization, and population, have also made us realize that our spaceship is a pretty frail craft and what happens in one part of it is going to affect other areas as well. Businessmen have known this for a long time—at least in terms of economics—but we've been slow to grasp the idea in other areas that are just as important to our lives as profit and loss statements. In the future, the interrelatedness of man is likely to become more intimate rather than less so. I think few people would disagree with the prediction of political scientist Bruce Russett that, in the decades ahead, "people will be much more closely involved than ever before. . . . 'One World' has a meaning beyond the understanding even of those who lived just a generation ago."²

In other words, we find ourselves living in a sort of dualistic society—the local (or national) culture on the one hand, the global on the other. Geographer Robert Harper explains the two culture systems this way: "In the Congo, most people still live in the locally-based system focused on their own piece

of earth real-estate, but Leopoldville is a city with regular communication and traffic with the worldwide network. . . . Mexico is both Mexico City, with its rather important position in the interconnected world, and the Indian village, that is only peripherally tied to the world beyond walking distance from the village."³

Homemade Pride

In most of our behavior, however, we act as though we were not aware that there is a global society as well as a national one. We are impressed by our own uniqueness as a nation, and our schools spend a good portion of their time imbuing our children with ideas of how we are different from other people, and all but ignore experiences we share with other members of the human species. Donald W. Robinson, of the National Association of Secondary School Principals, points out that "history textbooks usually present a view of the national culture that is acceptable to the educational establishment."⁴ And the acceptable view seems to be one that concentrates on the achievements of the United States as a nation.

¹ Barbara Ward, *Spaceship Earth* (N. Y.: Columbia University Press, 1966), p. 14.

² Bruce Russett, *Trends in World Politics* (N. Y.: The Macmillan Co.), p. 165.

³ Robert Harper, "A Basic Framework for Social Science," *Social Education*, XXXII (Nov., 1968), p. 656.

⁴ Donald W. Robinson, ed., *As Others See Us* (Boston: Houghton Mifflin, 1969), p. 2.

Now there is nothing wrong with national pride. What is wrong is that we learn to think only in terms of the nation-state and encourage our youth to think the same way. We tend to ignore the fact that we are also members of a global society that criss-crosses national boundaries as though they didn't exist. One result of our myopia is the tendency to look to the nation-state as *the* organizing force in our lives — if we are faced with a problem, we automatically assume that the government will solve it. As psychologist Herbert Kelman stated: "The organization of the world in terms of nation-states has such a powerful hold on our thinking that it is almost impossible to conceive it in different terms."⁵

Suppose we were able to look at ourselves as part of a global society. Would this lead to loss of loyalty to one's nation? Would it be a dangerous step toward bigger government or some form of world government?

The answer to both questions is a resounding "No!"

To accept the idea that we are "riders on the earth together" is merely to accept a condition that already exists. It means realizing that we have a great many things

in common with our fellow passengers, including some problems that would be a good deal more solvable if we could learn to cooperate — as people, not as governments. The global village idea also means understanding that "there are many functions which, by their inherent nature and by the nature of the modern world, cannot properly be met by the sovereign nation-state."⁶

Multinational Corporations

One significant example should serve to illustrate the point: the internationalization of business.

Multinational corporations have been in existence for a considerable length of time, but it is only in the past few years that we've begun to realize what a tremendous impact they have on the economy of the world. According to Judd Polk of the International Chamber of Commerce, these global firms now have a combined production that exceeds "that of all national markets except those of the United States and Russia"; and, if present growth rates continue, by the end of the century "the world economy will be more than half-internationalized."⁷

The impetus for this revolution-

⁶ *Ibid.*

⁵ Herbert Kelman, "Education for the Concept of a Global Society," *Social Education*, XXXII (Nov., 1968), p. 662.

⁷ Judd Polk, "The Rise of World Corporations," *Saturday Review* (Nov. 22, 1969), p. 32-33.

any growth was not supplied by an idealistic dream of a centralized world society. And much of it was achieved in spite of the interference of national governments and bureaucracies. What has happened has been simply a natural pattern of expansion as businessmen have sought new resources and markets. If these goals could be achieved by crossing national boundaries, then those boundaries were crossed.

Although the expansion of multinational firms has caused some concern in other countries (e.g., Servan-Schreiber's fears expressed in *The American Challenge* that Europe is going to become Americanized), no one seems to worry much about members of these firms losing their patriotism. An American technician working for IBM in France will remain loyal to his native land; the same thing would be true of an Argentinian accountant working for an English firm in Saudi Arabia. As historian Frank Tannenbaum commented: "The corporation groups the nationals into a new loyalty—a functional identity across all borders" and these are "unrelated to the state or nation."⁸ Man has long been capable of multiple loyalties—church, community, family,

nation—and there is no reason that a businessman can't be loyal to his company in Pakistan at the same time that he maintains his other ties.

Business Brings Unity Where Force Has Failed

If global businesses can avoid being trapped in bureaucratic red tape, which some have managed to avoid in the face of tremendous obstacles, it seems quite likely that their natural growth will do a good deal to make life more comfortable for the less fortunate passengers on our spaceship. In fact, free economic growth by American and European firms in developing countries will do far more than costly foreign aid programs in creating jobs and economic progress. Courtney C. Brown expressed this idea with glowing optimism: "These multinational corporations that have developed so quietly but so suddenly, may be the hoped-for force that will ultimately provide a means of unifying and reconciling the aspirations of mankind—a task which all the politicians have utterly failed to achieve."⁹

Notice that Brown speaks of unity, but a unity that has nothing to do with either national govern-

⁸ Frank Tannenbaum, "The Survival of the Fittest," *Columbia Journal of World Business* (Mar.-Apr., 1968), p. 13.

⁹ Courtney C. Brown, "A New World Symphony," editorial in *Saturday Review* (Nov. 22, 1969), p. 56.

ments or the myriad proposals for global government. Instead, he is referring to the ideal of all peoples sharing in the rewards of free economic growth.

The spaceship earth reasoning, then, doesn't automatically lead us into slavery or disaster. It does not mean that we have to view society "as a vast army," or adopt a religious faith in centralized planning. Rather, it should help us see that, in a variety of important ways, individual initiative is mak-

ing a dent in the problems we share with the rest of humanity. Multinational corporations have been successful because their personnel can "think world-wide"; they have managed to remove the analytic blinders that force so many of us to think only in terms of the nation. If the progress of these firms continues, it should help awaken people to the idea that there are better roads to prosperity than the creation of bigger and stronger governments. 

It Still Pays to Trade

AS RICARDO pointed out, one nation can be more efficient in *every* category than another nation — and yet because of a comparative advantage, it is still profitable for the more efficient nation to trade with the less efficient nation. But how does one discover these comparative advantages among the various nations in today's world?

Well, first, it is necessary that you and I and everyone else can freely buy and sell and exchange the moneys of the two nations being compared. For when free exchange is permitted, then prices and wage rates in the two nations will tend to be based on reality instead of wishful thinking. And when trade is based on reality, *comparative* advantages are not hard to find. Select two jobs or two products that exist in both nations. Now examine the wage rates and prices paid in one of the nations for the jobs or products. Now compare the wages and prices for the *same* jobs and products in the other nation.

Unless the comparative substitution ratios are identical (highly unlikely), trade will occur between the two nations. Each nation will concentrate on the production of the item in which it has the greatest comparative advantage (or the least comparative disadvantage). Both nations will profit from this trade, even when one of them has an absolute advantage in producing both products.

IDEAS ON



LIBERTY



Free enterprise, peace and plenty

EDWARD P. COLESON

IN ALL the strident chorus of gloom and doom so characteristic of our age, perhaps the loudest voices are shouting that global famine will soon be upon us — unless, of course, we smother in the smog or are blown to atoms by the Bomb before a more lingering and painful death can overtake us.

Indeed, two experts, William and Paul Paddock,¹ have told us flatly that world famine will catch up with us by 1975 and that the United States must make the awesome decision who will survive. They are certain that Haiti, Egypt, and India are already beyond help and hope. Others can be saved with our assistance, but the assumption is that we cannot afford to waste

our relatively meager resources seeking to rescue nations that cannot be salvaged. The U.S. Department of Agriculture says approximately the same but sets the date of disaster at about 1985, fifteen years hence instead of a mere five.

Lest any of us take comfort from the fact that we do not live in India or Egypt and thus may escape their fate, we should remember that our outlook is not much more encouraging, say the experts. Jacques Piccard² recently told a scientific symposium that it is "seriously doubtful" whether the human family would survive till the year 2000 — a mere 30 years from now. The day of doom is upon us or so the experts tell us.

An integral part of our present pessimism is an obsession with

¹ William Paddock and Paul Paddock, *Famine—1975! America's Decision: Who Will Survive?*

Dr. Coleson is Professor of Social Science at Spring Arbor College in Michigan.

² Gordon Rattray Taylor, *The Biological Time Bomb*, p. 203.

population problems. The population explosion, so we are told, is a greater threat than the Bomb. While the "teeming millions of Asia" frighten almost everyone, there are those who are telling us that the United States has a serious population problem even now and that we will soon have to start rationing the privilege of having children. "Spacecraft Earth" is becoming overburdened with people — that's what we are being told by the experts.

Now, may I say that all of these doleful predictions may come true? For instance, we might have a global atomic war followed by the plague, a recurrence of the Black Death. Such a series of catastrophes might well destroy civilization and seriously decimate the human family. But then we have been living with this threat since Cain slew his brother Abel.

During the Thirty Years' War a little more than three centuries ago, perhaps half the population of Germany was swept away — and, one might add, with very crude weapons, by our standards. Now suppose, given our better tools of destruction, that we well-nigh exterminated the human family and that a few miserable survivors reverted to barbarism as there is a great likelihood that they would do. Would this solve the population problem?

Population a Perpetual Problem

Actually, the human family has been living with a population problem almost from the beginning. America was saturated with Indians when Columbus arrived, although there are more people in any one of the several of our great cities than there were savages over the entire continent in 1492. Given their way of making a living, the country could hold no more. If a series of global disasters should reduce the population to barbarism and a small fraction of our present total, they would be worse off and feel the pressure of numbers more than we need feel it today.

A study of present population densities is quite revealing. India has only a few more people per square mile than Switzerland; several European countries and Japan show double that density. It may be granted that crude population densities do not tell the whole story, but they do have some significance. Certainly, part of these countries have as large a percentage of waste area and other natural handicaps as India. It seems amazing that the "experts" have not made these vital comparisons more generally known. Here are the latest figures for a few selected countries:³

³ Edward B. Espenshade, Jr. (editor), *Goode's World Atlas*, 1970 edition, p. 189.

<i>Country</i>	<i>Population per square mile</i>
Hong Kong	9,719
Netherlands	907
England & Wales	832
Japan	704
West Germany	625
India	422
Switzerland	379
United States	54
Canada	5

Another fascinating aspect of the population problem is the fact that interest in Malthus has fluctuated greatly since he wrote his little pamphlet on population in 1798. Although the publication of his work was greeted with a storm of protest from the utopians whose dreams he shattered, he soon convinced his contemporaries that the problem was really serious. As John Maynard Keynes told us after World War I:

Before the eighteenth century mankind entertained no false hopes. To lay the illusions which grew popular at that age's latter end, Malthus disclosed a Devil. For half a century all serious economical writings held that Devil in clear prospect. For the next half century he was chained up and out of sight. Now perhaps we have loosed him again.⁴

In other words, Keynes is telling us that Malthus was in fashion from about 1800 to 1850 but that he and his population problems were forgotten in the latter half

of the nineteenth century in spite of the fact they had a population explosion, too.

There are reasons for this change. As a delayed reaction to Adam Smith's teachings, England and, to a lesser extent, her European neighbors abolished their age-old mercantilist controls and went "free trade." By some happy chance this was just the time that the American farmers were opening up the West. A new plow that would break the prairie sod, the reaper, the railroad, barbed wire, and a host of other inventions and improvements suddenly made bread abundant and cheap. But for the opening up of European markets, however, this flood of grain would have resulted in an American farm problem instead of a boon to the poor working men of Western Europe.

To show the change that took place, it may be noted that an English laborer had to work five days in 1770 to buy a bushel of wheat, but his grandson could get one for two and a half days' wages in 1870.⁵ This, of course, is half price — quite a reduction. Needless to say, the latter had a much better and more varied diet than his fathers before him. Now in 1970, another century later, the typical American worker could purchase two or three bushels of wheat with

⁴ John Maynard Keynes, *The Economic Consequences of the Peace*, p. 8.

⁵ Chamberlain, *The Roots of Capitalism*, p. 123.

one hour's pay and many could buy a half dozen, if they were so minded.

This is a small sample of what has happened to the Western living standard in the last couple centuries. Life for the average worker is no longer a struggle for enough bread to keep the family alive, although he may have some problem keeping up the payments on his color TV set, his boat and, more recently, his snowmobile. If life is still a struggle, it is no longer for mere survival but for the "good life" as it is now defined.

Poverty Follows No Pattern

Unfortunately, the blessings of the Western revolution in science, technology, medicine, and our whole way of life have not spread as they should to the so-called backward areas, and there are even serious "poverty pockets" in our own midst. One of the most shocking experiences that an affluent American can have is to find himself suddenly out in a native village in some underdeveloped region of the world. Our American may consider himself poor, but he has no notion of what the word poverty means until he sees how the other half lives. Furthermore, allowing for differences in culture and climate, he is seeing how his own ancestors lived and not too long ago either.

Famines were once common in the West just as they still are over too much of the world today. This leaves us with the disturbing question why we have been unable to export progress. All parts of the earth have had contact with the focus of modern civilization, Western Europe and more recently the United States, since the period of discovery. In fact, Japan, which was closed to outside contact until a little more than a century ago, caught up with the West in a few giant strides while other lands with three or four centuries of contact with more progressive nations have languished and fallen behind.

Of course, some people explain the backwardness of much of our world in terms of exploitation by Western capitalists. But, if this accounts for Latin American problems, for instance, the same system should have condemned Anglo-America to poverty, since we were also European colonies. Businessmen have made money in the underdeveloped lands, but they have lost it, too, in large amounts and often without enriching the natives by their losses: nationalizing an industry commonly benefits no one but a few bureaucrats.

Nor is it possible to explain the difference between one country and another in terms of natural resources; few countries had less

than Switzerland to start with and perhaps none has done better than the Swiss with what was at hand. Indeed, the several familiar explanations for the plight of the have-not nations have so many obvious exceptions that they prove little, although they may contain an element of truth.

Foreign Aid in History

We, the presumed affluent, are often accused of being indifferent to human need, both at home and abroad. This, again, is only part of the story. In addition to a long history of private charity, missionary endeavor over much of the earth, Herbert Hoover's relief efforts in Europe during and after World War I, and many others down to the present hour, we must not forget that the United States has launched two massive attacks on poverty on a global scale in the last half century, the first during the prosperous 1920's and the second since World War II.

We forget that foreign aid was not a recent invention. Following the First World War, having won the "war to end all wars," we then set out to abolish poverty. During the "Golden Twenties" representatives of American banking and brokerage firms wandered up and down the earth, tempting foreigners to borrow our money. We succeeded in loaning about \$15 bil-

lion,⁶ which does not seem like very much until we recall that this was approximately five times the annual Federal budget of that era — try five times Nixon's current budget for size, although this would not be comparable either.

According to Garet Garrett, at one time there were no less than twenty-nine representatives of American investment firms "soliciting a small Latin American country to make a bond issue in Wall Street." Later, when we wanted our money back, we were roundly abused and depicted as Shylock demanding our pound of flesh. This is hardly fair. As Garrett tells us further, taking us to a country bank before the Crash of '29 where some threadbare farm woman is depositing her butter and egg money:

Fancy telling that woman at the "savings" window, who gets her money up in small bills from the deeps of an old satchel, that her dollars, multiplied ten times by the bank, will go to build ornaments for a grand boulevard in a little Latin-American country she never heard of, or to build workmen's houses in a German city better than the house she lives in.⁷

This is something we forget. Her pump was out by the barn and she had no plumbing or electric lights. She didn't know she was

⁶ Garet Garrett, *A Bubble that Broke the World*, pp. 20-21. ⁷ *Ibid.*, p. 49.

donating this money, but was trying to save a little for a "rainy day" or perhaps to educate one of the children or buy her family some little luxury, a convenience that they had long wanted. More recently, a lot of poor, hard-working Americans have helped foreign bureaucrats and potentates to buy Cadillacs and the like when the American contributors were hard pressed to keep up their payments on quite ordinary automobiles.

Certainly the "Forgotten Man" in America — the poor fellow who pays the bills both at home and abroad — has been as much sinned against as sinning. But this was only the beginning of sorrows. Following the Second World War, "having learned nothing and forgotten nothing," we proceeded to do more of the same through our global foreign aid program, now mostly under government auspices. I have sought signs of its success when I have been abroad; but my foreign friends as well as Americans on the ground have told me that it was all a big mistake and that most of the money has been wasted. Still, the programs go on and will no doubt continue, like those of the boom years before 1929, until national bankruptcy terminated them.

Anyone who has lived where poverty really hurts, either at

home or abroad, can understand the feeling that something must be done. With the gap between rich and poor allegedly widening year by year, and with revolutions breaking out on every hand, obviously something must be done and at once. It is easy to understand why concerned and well-meaning people are wringing their hands and insisting that our foreign aid efforts, massive as they seem to many of us, are only "band aid" programs which must be expanded on a colossal scale until they begin to do some good. Indeed, a few years ago, the famous British periodical, *Punch*, carried an article advocating a "scientific" and systematic war on global poverty in which

... the rich countries would be required to surrender a proper fraction of their productive resources to an international body charged with the duty of assisting the economic programmes of the needy nations: progressive taxation at the international level.⁸

It is easy for the unsympathetic reader to dismiss such a proposal as preposterous; but those of us who have been out where people live perpetually on the brink of disaster, where a minor crop failure may result in starvation, see the urgency of the problem, even if we don't consider the *Punch*

⁸ *Punch*, Sept. 28, 1966.

proposal as desirable or workable.

Unfortunately, there are a lot of good people of conservative leanings who, while they decry socialist schemes, do not see a free enterprise alternative to these programs. They are mostly negative. They should remember that tremendous progress also took place in the nineteenth century when laissez faire was in fashion. This is when the United States developed from a backward country to a wealthy, powerful nation which has recently carried so much of the world's burdens in war and peace.

Private International Finance

It is well to remember that Britain went through its own cycle of development a few years before we did. Germany followed us, and Japan has come along quite recently. Strangely, a lot of this happened before presidents had economic advisors and before such questions were an official concern. We must not forget that much of this rapid, even explosive, economic development took place in an era of relatively open international markets and when it was still easy and fairly safe to invest money anywhere in the world.

For decades during the Victorian era English investors put their money in assorted ventures all over the world and in great

amounts. To the extent that these paid off, the British businessman tended to reinvest in other projects that he discovered as he cared for his international commitments. A dozen years ago Richard M. Nixon called attention to the fact that the United States would have invested \$30 billion abroad in 1958 instead of the trifling \$4 billion we did lend, had we invested at the rate proportionately that the British did in 1910.⁹ England invested a lot of money in the New World on both continents. In addition to heavy investment in the United States in the last century, she rolled out a railroad across the Argentine pampas and took beef in return.

What an enormous benefit we could have bestowed upon the earth if we had invested that \$30 billion and more year by year in sound projects that gave returns which were then reinvested.

Unfortunately, we have not yet come to understand international finance, a tragedy for both us and the world. It is true that conditions were more favorable for international investment during the Victorian era of sound money, open markets, and reasonably responsible foreign governments. But have we worked for the restoration of order and stability in inter-

⁹ Richard M. Nixon, *The Challenges We Face*, p. 73.

national economic relations in the last half century, particularly when we had the resources to do it? The attitude rather seems to be, " 'Tis better to have loaned and lost than never to have loaned at all."

Returning to Malthus and global famine, it is interesting to note that the old mercantilist world of the 1790's, with its controls and regulations which impeded progress and reduced output, had a population problem. As men moved into the Victorian era with its open markets and full production, somehow the problem of human need diminished in magnitude although, of course, it never disappeared. It is well to remember also that there were no great wars in Europe from 1815 to 1914, which may be more than a coincidence. One may ask also if the return to agricultural restrictions, tariffs, quotas on foreign trade, and a multitude of other combinations in restraint of both production and trade may not have something to do with global famine today as well as our epidemic of wars. Is not our Neo-Malthusianism now a consequence of our neo-mercantilism?

A distinguished English land-use expert, L. Dudley Stamp,¹⁰ estimates that the world could hold

ten billion people instead of the trifling three and a half billion now on earth, provided only that we had full production and open markets and without going to any strange new diets such as seaweed. Another Englishman, Colin Clark,¹¹ places the capacity of this planet at 28 billion, assuming only that we all did as well as the people of the Netherlands. Perhaps this is asking too much, but if the rest of us could manage even to do half as well as the Dutch, this still adds up to 14 billion or four times the present world population.

Granted, the world population cannot mount indefinitely and no doubt India should stabilize her population and shoot the sacred cows as swiftly as possible, consistent with good common sense and respect for the opinions of others. However, why place all the burden of change on India, when we, too, have some "sacred cows" that need shooting? Have our seventeenth century mercantilist practices become to us more sacred than life itself? According to Frederic Bastiat, "When goods do not cross frontiers, armies will." Should not our war-weary age consider open markets as one possible path to peace and world prosperity?



¹⁰ L. Dudley Stamp, *Land for Tomorrow*, p. 219.

¹¹ Arthur McCormack (editor), *Christian Responsibility and World Poverty*, p. 135.

PAUL L. POIRROT



A Monopoly

— AND HOW TO
BREAK IT

THE NATIONAL ASSOCIATION of Letter Carriers has offered the people of the United States a cogent lesson in how to break a monopoly: Simply refuse to work for the monopolist!

It's a sad day in the "land of the free" when it comes to that: one monopolist squaring off against another to determine who shall rule. But there's no further dodging the facts. The United States today is not a land of the free. The United States Postal System is a gigantic monopoly. So is the Letter Carriers' union. Both are typical institutions of the Welfare State — or whatever else one chooses to call coercive collectivism. These are simply the forms that government takes when it becomes the instrument for plundering peaceful persons instead of protecting their lives and property.

A government that takes its orders from its letter carriers — those it puts in uniform to pass out relief checks and other goodies to the populace — is in grave danger of toppling. Other men in uniform must soon grasp the idea. It is a short step indeed from a letter carriers' strike to a general taxpayers' revolt. And who ever heard of a viable government that couldn't collect taxes?

The Ides of March 1970 strike by postal employees has ended, but

the lessons it affords remain to be learned and remembered.

"Business" by Coercion

The first lesson: *Monopoly is a bad form of business.* To be more precise, monopoly is a form of coercion rather than a businesslike attempt to satisfy customers. Let us not compound the confusion by referring to the United States Post Office as a business; it exists and operates exclusively upon the principle of coercion. Anyone refusing to use its facilities and deliveries is nonetheless compelled to help pay for them. Nor may anyone legally compete against the Post Office to render mail delivery service for willing customers.

Aside from this coercive intervention, there is no reason why mail delivery could not function like any other business, with open competition to determine who can best serve willing customers and determine how the job can be done with optimum use of scarce resources.

It needs to be added, perhaps, that a competitive postal business could not function effectively today if it were prohibited from using any means of transportation other than horse-drawn vehicles. Such a condition would simply be another form of monopoly, a grant of special coercive power to horses. By the same token, a competitive

postal business cannot function effectively if confined to hiring from the closed membership of the National Association of Letter Carriers, the strength of which depends upon a monopoly of coercive power granted and upheld by the government.

A Perversion of Government

The second lesson: *Establishing monopolies and defending them is an improper function of government.* It should take no more than a second — or a second thought — for any person of good will toward his fellow man to realize that he stands a better chance of survival with no organized police force at all than under a force dedicated to plunder.

This is no appeal for anarchy. Excessive and growing governmental activity tends to discourage many devotees of the free market. And an increasing number of them assume illogically that the only corrective is no government at all — philosophical anarchy.

A logical case against government might be made if one believed that all men have perfect understanding plus the ability and the inclination to behave properly under all circumstances. Nor would government seem feasible if all men were presumed too evil to be trusted with policing powers.

If one believes, however, that men, though usually reasonable, are also capable of acting injuriously toward others and are prone to try it upon occasion, it then seems logical to defend oneself against this evil tendency. Thus, reasonable men will try to codify their rules of conduct, to "raise a standard to which the wise and honest can repair," and to organize their defensive forces to constitute the government of their society. Its sole, logical purpose would be to suppress any outbreak of violence, fraud, or coercive threat against the life or property of any peaceful person.

How Competitive Private Enterprise Serves Consumers

What we may learn, then, from the Letter Carriers is that open competition is far more likely than a monopoly to satisfy the wants of peaceful persons anxious to earn what they receive from others. And we may learn that the serviceableness of government to men of good will depends upon its limitation to a defensive function and a refusal to grant or to support monopoly privileges for any person or group.

To speculate on how the mail might be delivered by private enterprise, if anyone were free to try, would be foolish. No one now can possibly imagine what innova-

tions might spring from the unrestricted imaginations of everyone in search of better ways to serve consumers. All that is required is a sufficient faith in the free market to abolish the government's present postal monopoly and open the door to competitors.

As for any dissatisfied letter carrier, he ought to be free to seek better employment opportunities anytime he chooses. There's no point in trying to hold a man to a wage contract if he thinks the wage is inadequate. Nor is there any point in putting him on pension or relief or unemployment compensation if he quits one job before he has another or better source of livelihood. Nor should anyone be under obligation to hold open for him the employment opportunity he has rejected; let other willing and capable applicants fill such positions at whatever wage is mutually agreeable to employer and employee. Repeal the minimum wage and other work laws that now prevent women and children, and perhaps some men, from earning as much as they are worth at delivering letters or otherwise serving willing customers.

Abolish these monopolies, open the market to competition, protect the lives and property of peaceful persons instead of granting the special privileges sought by some

at the expense of others. Let government attend to its proper function, and there need be no concern whatsoever about handling the mail in a businesslike manner, without strikes, slowdowns, breakdowns, or other senseless and interminable disruptions.

Other Areas of Application

Once we learn that mail delivery is the business of business rather than of government, perhaps the lesson may also be applied in other areas now largely monopolized such as hospital service and medical care, education, certain

branches of agriculture, various aspects of transportation and communication, some cultural and recreational facilities — yes, even those remnants of protectionism that still hang on to give all business activities a bad image.

But, if citizens persist in demanding of government all sorts of services for which police power is unnecessary and incompetent, then more and more chaos such as the postal strike may be expected. And if history tells us anything, we ought to know that the people, in desperation, eventually will turn to a dictator to restore order. ☸

The Myth of the Post Office

THE MYTH of the Post Office Department — that its reason for being is the service it renders the public — is grounded in a well-advertised generality; that which can best be done collectively should not be done privately. That, however, begs the question. Why is the transmission of private messages peculiarly a government function? How can we know that public operation is superior when private operation is prevented by the threat of punishment? And, if the postal business is best promoted as a collective instrument, must this instrument be implemented with police power, or could it be carried on by a private concern, paying for the privilege on the basis of bids and depending only on public patronage for its livelihood? These are questions which the deficit-paying stockholders have a right to ask.

IDEAS ON



LIBERTY

FRANK CHODOROV

CLARENCE B. CARSON

Throttling the Railroads

2

Aiding the Railroads 1830-1871

THE BUILDING of the railroads in the United States was done almost entirely between 1830 and World War I. Such building as has been done since has consisted mostly of double-tracking, shortening routes, and building bridges. The first stage of railroading falls between the years 1830-1871, for in this period there was considerable governmental (Federal, state, and local) aid extended to get the building done. It did not entirely end in 1871; earlier grants were still available to some lines, but at that point governments turned their attention from aiding to regulating, restraining, and controlling the railroads. Animosity

began to replace sympathy toward them. From the early 1830's into the 1850's most of the direct aid and efforts to facilitate their building came from state and local governments. After that, the Federal government became deeply involved in fostering railroad building. Since this early involvement had its effects and left a legacy, it will be well to examine into the whys, wheres, and consequences of it.

It is not apparent why governments became as involved as they did in early railroad building. The first decade or so of this activity coincided with the Age of Jackson. The main thrust of the Jacksonians was against special privileges to certain groups, against government aid for internal improve-

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ments, and in favor of leaving economic activities to the private initiative of the people. Jackson and most of his Democratic successors were concerned with disengaging government from the economy. One might suppose, then, that railroad builders would have been left to their own devices.

So they might have been if many of the Jacksonians had had their way. But the Jacksonian ascendancy was never so complete, nor were his Democratic followers so completely persuaded of the advantages of *laissez-faire*. In any case, theirs was a great wave going counter to the still deep-running tide of mercantilism. The Jacksonians (or Democrats) made up only one of the two major political parties of the time. The other party consisted of Whigs, and they were favorably disposed toward such mercantilistic carryovers as government appropriations for internal improvements, the granting of monopolies, and such like.

States and local governments had long been accustomed to chartering roads, bridges, banks, and other types of semiprivate undertakings. Moreover, the early effort of the Jacksonians appears to have been aimed more at getting or keeping the Federal government out of such activities than changing state policies. The principle

was by no means established that government should not intervene in economic activities. If there was a going principle, it was more nearly the one that government at some level should aid, at the least by granting a special charter and frequently by actually subsidizing, in developing transport.

Thoroughfares of Sorts

Early aid to the railroads becomes more readily understandable when they are considered as analogous to highways and waterways. Highways and waterways were usually thoroughfares, open to traffic of all comers, though tolls might sometimes be charged. Governments usually fostered thoroughfares in one way or another: sometimes building roads and canals, chartering them, granting them monopolies, and favoring them with the use of the power of eminent domain.

Railroad tracks were never thoroughfares to any extent; from first to last traffic on them was either monopolized or controlled by a single company. Yet they received many of the aids which thoroughfares received. Looking back on it, one may wonder why they were not treated as private undertakings, as factories were. The answer, in part, is that there was no tradition for roads to be treated in this way, and that rail-

ways were early conceived on an analogy with thoroughfares. They were something lying somewhere between a public thoroughfare and a private facility. Much mischief has followed from the ambiguity of this conception.

Of course, government aid to railroad building did not occur simply because of confusion about the nature of railroading. It may, indeed, have been the other way around: the nature of railroading may have been confused to facilitate government aid. At any rate, governments aided railroads because politicians perceived some advantage to be gained by such promotion. Sometimes that advantage was personal and direct, as when they received stock or other emoluments from promoters; at other times, it may have been indirect by way of facilities gained for some portion or all of their constituencies. Merchants, tradesmen, manufacturers, farmers, and what have you, wanted a railroad to and from their communities. The city fathers of one town wanted to gain for their locale a favorable position *vis à vis* their competitors elsewhere. Much of the history of railroads and government intervention can only be correctly construed in terms of commercial rivalries, competing locales, and the pulling and hauling between them for advantage.

Those involved frequently turned to politicians to get them to use government to better their position. Since these contests are a major part of the context of the story from first to last, it will be useful to introduce them at this point.

Not all towns, nor all locales, nor every region, had the same interest in or pressing need for railroads. The political pressures were not equalized over the country. The topography varied; the population was unevenly distributed; and political advantage from promoting railroads was much greater in some areas than others. Government aid to railroads needs to be understood, then, within the historical and geographical background of these disparities.

A U.S. Common Market Tempts Government Aid

These United States became potentially a great common market with the ratification of the Constitution of 1787. States were generally forbidden to place obstacles in the way of commerce. This potential market had been extended far beyond the Appalachian Mountains by the Treaty of Paris of 1783, by the terms of which Britain recognized the Mississippi River as the western boundary of the United States. The bounds were extended all the way to the

Rocky Mountains in 1803 by the Louisiana Purchase.

The key to the commercial opening up of this vast trans-Appalachian territory was transport. Who would receive the greatest benefit from such commerce as might develop would depend upon where the terminals of the trade routes were located. Thus it was that government aid for internal improvements, as road building and such like were then called, rather quickly became a major political issue. It was a heatedly debated national issue from the early years of the nineteenth century down to 1830, when Jackson virtually brought such Federal projects to a halt by his veto of the Maysville Road Bill.

Part of the impetus to finding ways to funnel the commerce from the American interior to the East Coast can be explained by the location of the bulk of the population and the character of the cities. According to calculations from the census of 1800, the population center of the United States was only a few miles south and west of Baltimore, Maryland. Most towns of any size were port towns, and, with the exception of New Orleans which was not then in the United States, these were all east of the mountains, on or near the Atlantic. The major port cities were Boston, Newport, New York

City, Philadelphia, Baltimore, Norfolk, Wilmington, and Charleston.

To Save the Cities

The future growth and dominance of these cities was placed in jeopardy by the acquisition and opening up of the territory beyond the Appalachian Mountains. Particularly was this true of the port cities from Baltimore northward. These had a narrow coastal hinterland to draw from within their own states or locales; the tidewater did not run far back, and mountains were relatively close to the sea. New York and Philadelphia were then the metropolitan centers, but anyone looking into the future would probably have predicted that they, along with other East Coast cities, would be dwarfed by cities in the Mississippi Valley which would send produce from that vast area to the rest of the world.

New York State, Pennsylvania, and Virginia had more pressing reasons than the other states to be concerned with the Appalachian barrier. Each of these states had considerable territory beyond the mountains within their boundaries. This situation was of greatest concern in New York and Pennsylvania. Most of New York lies west of the mountains, and Pennsylvania is cut in two by the

Alleghenies. These states had internal political and economic reasons for trying to find commercial routes across the mountains in addition to the interests of the coastal cities. Both New York and Pennsylvania built thousands of miles of improved roads in the first three decades of the nineteenth century. Other areas induced the Federal government to undertake the construction of a national turnpike to connect the East with the Midwest.

All this flurry of building had little discernible effect on the flow of commerce. Many of the improved roads were commercial flops; it was still less expensive to float goods down the river from Pittsburgh to New Orleans than to haul them in wagons over the mountains. The steamboat opened up new possibilities for the use of the Ohio, Mississippi, and their river tributaries; by its use goods could not only be shipped downstream but upstream as well. The American cities of the future would probably be St. Louis and New Orleans, with lesser centers at such places as Pittsburgh, Cincinnati, and Memphis. A look at a topographical map of the United States should confirm that this was the most likely prospect.

If the traffic in goods had followed the course of the great interior rivers, if it had flowed from

the Midwest into the Mid-South as it bade fair to do, the history of the United States would undoubtedly have been altered. If energy had been concentrated on making the rivers safer, if access to them had been opened up by roads, canals, and smaller streams, they might have served well for an extensive transport. It may be too much of a speculation to think that such a linkage between North and South would have forestalled a civil war. Certainly, the peoples would have been bound closer together by this dependency. Of course, it did not work out that way.

The Canal Era

American ingenuity, eastern interests, the accident of state boundaries traversing the mountains, the concentration of population on the eastern side of the mountains with its determinative role in the use of political power, combined to produce a different result. The first major breakthrough in the effort to link the Midwest to the Northeast commercially was the Erie Canal. This canal was projected and built by the government of the state of New York to link Lake Erie to Albany by water. From Albany, traffic could readily flow down the Hudson to New York City. The building of the Erie was an amaz-

ing engineering feat in its day. It was completed during the 1820's, and became very quickly a commercial success. It is not too much to say that at the time New York City was saved as the leading port in the United States by the Erie Canal.

Not so, of course, the other port cities of the East; their prospects were dimmed by New York's triumph. So it was that the rush was on in other states to build canals, with similar triumphs envisioned. None of these undertakings was more ambitious than the one in Pennsylvania. It was to connect Pittsburgh with Philadelphia, providing a much shorter route than the one in New York to the Midwest. Unfortunately for Pennsylvanians, the topography between the two points was ill-suited to canal building. Undaunted by this, builders went ahead with the project. This is how they did it:

From Philadelphia a railroad traversed the eighty-one miles to Columbia on the Susquehanna. From Columbia a canal ascended the Susquehanna and then traveled westward along the Juniata to Hollidaysburg, where the Allegheny ridge 2,291 feet high had to be surmounted. The device chosen was the Allegheny Portage Railroad, which mounted each side of the ridge with five inclined planes interspersed with level stretches. Stationary engines pulled

the vehicles up the inclines; horses pulled them on the level tracks. In this fashion cars or cradles with canal boats were raised from the Juniata and finally let down on the other side into the Conemaugh at Johnstown, whence a canal continued along the routes of various rivers to Pittsburgh.¹

Even after such an effort, it was not attended with much success in attaining its object. Most of the Midwestern traffic still went by way of the Erie. There was much more canal building, however. A Chesapeake and Ohio canal was projected to link Virginia and Maryland with the Ohio River, but it was never completed. Several Midwestern states sunk large amounts of funds into canal building in the 1830's and 1840's. Indeed, some of them extended their credit so far that when the depression came they forfeited payment or went bankrupt. These failures considerably dampened the enthusiasm in some states for government ventures in subsidizing transportation facilities, and proponents of *laissez-faire* were strengthened.

The Urge to Subsidize

But if there was ever a notion that dies hard (that is, does not die), it is the notion that govern-

¹ Edward C. Kirkland, *A History of American Life* (New York: Appleton-Century-Crofts, 1951, 3rd ed.), p. 236.

ment should subsidize or otherwise sponsor some industry or undertaking. It dies hard because there are those ready to hand to benefit personally from such aid and who will use their ingenuity to bring forward reasons that will convince the public of some general benefit forthcoming. So it was, at least, with transportation.

The era of canal building was not over before the era of railroad building began in earnest. Nor can it be said that overmuch had been learned from the debacles in canal building following upon government involvement. For cities on the East Coast, the railroad offered the possibility of competing with New York City in tapping the Midwest. The railroad might do for Philadelphia and Pennsylvania what their canal had not. Thus it was that during "the period 1840 to 1853, the city and county governments in Pennsylvania contributed about \$14 million to railways. Philadelphia alone incurred a debt of over \$8 million, about \$20 per person, for railways. In 1852, \$6,750,000 of the Pennsylvania Railroad's total capitalization of \$9,876,000 had been contributed by local governments."²

Governments in other states engaged in some of the same kind of activity. The "merchants of Baltimore had conceived the . . . ambitious enterprise of a railroad across the Allegheny Mountains to the Ohio River. Private subscriptions to its shares having proved inadequate to its financial requirements, resort was had to the city of Baltimore and to the state of Maryland, whose credit therefor was utilized to the extent of \$5,000,000."³ Even New York State inhabitants were soon worried by the railroad, for that mode of transport soon demonstrated its general superiority over canals and inland waterways (not by cheaper rates but because of schedule predictability and year round use). "By 1840, the state of New York had granted its credit in aid of railroad companies to the amount of nearly \$4,000,000, and eventually the aid of this character from the state and from counties and municipalities reached the sum of \$40,000,000."⁴

Some of the early eastern lines were actually state projects. "In Pennsylvania two of the earliest lines in the state, the Portage Railroad and the Philadelphia and Columbia, were constructed with

² Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin, 1965, 2nd ed.), p. 199.

³ Henry S. Haines, *Problems in Railway Regulation* (New York: Macmillan, 1911), p. 178.

⁴ *Ibid.*, p. 181.

state money, as was the strategically located Western and Atlantic in Georgia.”⁵ More common, however, was financial assistance from states or municipalities to otherwise private building. One historian sums up government aid in the East in this way: “The Western Railroad in Massachusetts, the Erie in New York, the Baltimore & Ohio in Maryland, and most of the railroads in Virginia were among the rail recipients of state assistance.”⁶

Several Midwestern states also assisted railroad building extensively. Ohio adopted a law which committed the state to furnish one-third of the capital for any railroad company. “In 1837, the state of Illinois appropriated over \$10,000,000 to public improvements; a debt of \$34.10 for each person in the state. . . . In 1838, the state made an additional appropriation of \$9,000,000. . . . Missouri spent over \$30,000,000 with only \$6,000,000 of assets to show for it; Michigan incurred an immense liability without adequate security. . . .”⁷

States aided railroads in other ways than by subsidies and loans. As a general rule, railroads were,

at the least, chartered by states. Sometimes these charters included monopoly privileges. In some instances, exemptions from state taxes would be granted, and they were usually given privileges in the use of eminent domain for the acquiring of land. It is safe to say that virtually all the railroad trackage laid in the country was laid in consequence of some special privilege not granted to all enterprises.

States Rush in Where Individuals Fear to Tread

At the same time, it needs to be emphasized that there were great differences in the character and extent of this aid. Much, probably most, extended only to chartering and allowing the railroads to acquire land by eminent domain. Of the rest, there were some loans, land grants, and monetary grants — each of these quite different in character. As to financing, this judgment is undoubtedly correct: “Most of the money for the early railroads came from private investors.”⁸

Even so, such government aid left some unpleasant consequences in its wake. Government aid was extended on the grounds that private investors would not put up sufficient money for building the roads at the time. The meaning of

⁵ John F. Stover, *American Railroads* (Chicago: University of Chicago Press, 1961), p. 30.

⁶ *Ibid.*, p. 31.

⁷ Haines, *op. cit.*, pp. 181-82.

⁸ Stover, *op. cit.*, p. 31.

this is that men who have money to invest do not judge such building to have the best prospect for returns, that money can be better used elsewhere. Though private investors may be wrong, they are the experts in the field. Governments are betting against the field when they put up money. Even if government ventures are superficially successful on occasion, the success is frequently marred by unwanted consequences.

In any case, the state aid to railroads proved to be the wrong way to get them built. One historian sums up the results to the midpoint of the nineteenth century: "The experience of . . . states with government-sponsored internal improvements—the Erie being the sole exception—had ended disastrously."⁹ Another writer notes that "there was a good deal of fraud and corruption in connection with state aid to railroads, and in later years a number of states repudiated some of their obligations made in connection with railroad construction. Because of the corruption involved and because of the heavy tax burden the people were asked to bear to meet the states' promises, it later became common for state constitutions to prohibit the investment of

state money in any private enterprise."¹⁰

It often turned out that what was not a good investment for private investors was not a good one for governments. But that is not the whole story. Government investment made such railroad building politically determined rather than economic, turned over the funds to the cleverest lobbyists on occasion rather than to those likely to provide sound management, led to building at times and to places that would not then be justified, and sometimes saddled these premature undertakings with large debts. By reserving the right to regulate in charters, and by giving aid, states set the stage for intervention and made the status of the railroads before the law ambiguous.

Federal Entry in 1850's

The debacle wrought by state intervention did not long deter the Federal government from entering the field. The Federal government began the move toward subsidizing in the 1850's, and then with Southern representatives out of the Congress during the Civil War plunged headlong into sponsoring railroad building. Though some land grants were made in some of

⁹ Robert S. Hunt, *Law and Locomotives* (Madison: State Historical Society of Wisconsin, 1958), p. 38.

¹⁰ Russell E. Westmeyer, *Economics of Transportation* (Englewood Cliffs: Prentice-Hall, 1952), pp. 47-48.

the states of the Midwest and South, the most extensive Federal aid was given to the transcontinental routes. Hence, attention can most profitably be focused on them.

The background to the transcontinentals is this: The United States acquired California from Mexico in 1848. A couple of years before, title to the vast Oregon country had been made certain by treaty with Britain. Almost immediately proposals began to be made in Congress for the building of a railroad to the Pacific. There were two main reasons for the matter to come before the national government. A transcontinental railroad would have to go through territory not then organized into states, territory over which the United States government had sole authority. Secondly, it was a project of such dimensions that there was little hope that the states standing to benefit directly from it would undertake its construction. The location of the route for such a road was a political issue for most of the 1850's. The pressure for a southern route led to the Gadsden Purchase in 1853, and that for a Midwestern one led to the Kansas-Nebraska Act of 1854. Even so, no project was actually authorized until the war was well under way.

With the South out of the Union,

Congress authorized a transcontinental railroad that would have its eastern terminus in the Midwest. Two companies were to build railroads—the Union Pacific and the Central Pacific. To facilitate such building, the government granted lands, made some loans, and enabled them to borrow money with government backing. Subsequently, lands were granted and aid given for the building of other transcontinentals, the most extensive for the Northern Pacific Railroad.

Clarifying Some Facts

It is important, again, that the extent and character of this aid be made clear. Historians, and others, have frequently exaggerated the extent and implied that the railroads got great benefits at the expense of the rest of the country. It is much to the point that the lands granted were worth little to nothing on the market at the time they were granted. The railroads built through them greatly augmented their value. The lands were parceled out so that the company got one section and the government kept one in alternating parcels. Thus, the benefits from the appreciation of land values due to the railroads were apportioned between the roads and the government. In the case of loans, they were largely repaid in one way or

another over the years (with interest). Nor were the Federal land grants extended to most railroads. "Such grants were made in aid of a total of 18,738 miles of railroad line—less than 8 per cent of the total mileage of railroads built in the United States."¹¹

Even so, it does not follow that such aid as was given was prudent, and it is certain that there were ramifying consequences which few would have willed. The biggest scandal that occurred involved the building of the Union Pacific Railroad; the events surrounding this will give an indication of some of these consequences.

The Union Pacific was assigned the task of building the road from the Midwest westward to junction with the line being built eastward by the Central Pacific. To facilitate this building, the Federal government granted lands, authorized the use of timber and fill dirt from the public domain, and provided loans by way of government bonds. Initially, these loans were to be secured by a first mortgage against the railroad, but they were later reduced to second mortgage status. Congress required that at least minimal investments be made

from private funds before the undertaking should get under way.

Crédit Mobilier

One might suppose that with all this aid, private financiers would have adjudged the Union Pacific to be a good investment. They did not. The government bonds could only be disposed of at a considerable discount. One of the men involved testified that there were "very few capitalists who had faith enough in the successful prosecution of the undertaking to feel it was safe to invest a dollar in the bonds, or even to take the notes of the company, with bonds as collateral, at 60 cents on the dollar without a large commission." Moreover, as a recent study points out, "the market situation of the Union Pacific's stock was even weaker than that of the bonds. John Duff asserted that Union Pacific stock could not be sold 'except to people who would take a risk as they would at a faro-bank.'"¹² True, much of this testimony was self-interested, but other indications are that the future earnings of the Union Pacific were not then viewed as such that heavy investment was warranted.

Even the directors of the company plowed most of their invest-

¹¹ Robert S. Henry, "The Railroad Land Grant Legend in American History Texts," *Issues in American Economic History*, Gerald D. Nash, ed. (Boston: D. C. Heath, 1964), p. 324.

¹² Robert W. Fogel, *The Union Pacific Railroad* (Baltimore: The Johns Hopkins Press, 1960), p. 76.

ment into a construction company — Crédit Mobilier — rather than the Union Pacific. They clearly judged that if there was profit to be made, it was from construction rather than from operating the railroad.

An exposé of Crédit Mobilier began in 1872 with the publication of damaging letters in the *New York Sun*, and the matter was brought to national attention by a Congressional investigation. There were two facets to this scandal. The one that probably made the biggest impact at the time was that several members of Congress had bought stock in the construction company at par value. The stock turned out to be worth much more. It was charged that the stock had been sold to them at this price in order to influence votes. The other was that the well-situated directors of the Union Pacific had made an inordinate profit from construction, leaving the parent company in bad financial condition. It is the burden of a recent study to show that the profits were not exorbitant in view of the risks.¹³ More importantly, this study indicates that even if the construction company had charged much less for construction, the Union Pacific would still have been too deeply in debt to

make a go of it. The discounting of stocks and bonds made the enterprise too costly in the first place. Secondly, "it was the unbearable weight of its obligations to the government that finally forced the road into receivership in 1893."¹⁴

A Trail of Disaster

Premature railroad building induced by government grants left a trail of disaster in its wake. The ramifying consequences are too extensive to be gone into in detail here. They can only be partially suggested. Government aid fostered a boom in railroad building that extended beyond those railroads receiving it. There was overbuilding in some areas; many roads were left in shaky financial conditions; there were bankruptcies. Hapless settlers were lured by government and railroads to buy farms in the semi-arid West; many would return eastward after years of failure. Unscrupulous financiers moved into railroading, sometimes made their quick profits, then left the railroads in disarray. Boom towns founded on some illusive prospect of wealth or future greatness were hurriedly built, only to be deserted when the bubble burst. Nor should it be forgotten that the wholesale slaying

¹³ See *ibid.*, *passim*.

¹⁴ *Ibid.*, p. 88.

of the buffalo and the destructive Indian wars of the 1870's were offshoots of the railroad boom, along with the influx of homesteaders that disrupted ranching. There is every reason to believe that America would have had such a railroad system as was needed and could have been afforded without the government aid and without the manifold infelicities that accompanied premature building.

Indeed, most of the railroad track in the country was laid after governments had withdrawn all but minimal aid in nearly all cases. In 1870, there were only 52,000 miles of track; by 1910, it exceeded 200,000 miles. The Federal government did not make new land grants after 1871, though some of those already granted continued to be appropriated. In the 1880's some of the lands conditionally granted began to be reclaimed by the government.

The railroads generally survived the effects of government aid for

premature building. Builders continued to build; systems were knit together; many private entrepreneurs learned to operate them so as to provide profit for investors and benefits to consumers. Service was greatly improved in the latter part of the nineteenth century and rates were brought down. Goods from the far corners of the United States flowed into cities and American ports and thence all over the world.

Governments began to change their policies, too, though it was hardly for the better. They were barely done with fostering premature building with its unwanted consequences when they turned to harassment. Indeed, there had been some harassment by local governments from the beginning, but the pace quickened in the 1870's, and it was only another decade before the Federal government would turn its restrictive power on the railroads. It is time now to explore this about-face. ☸

Next: The Thrust to Regulation

Limited Government: Unlimited Opportunity

IDEAS ON



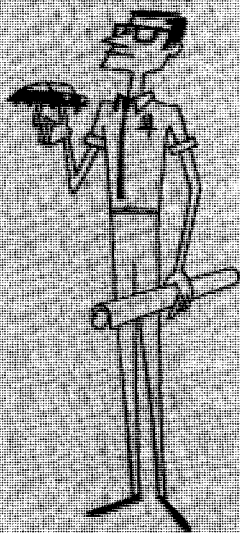
LIBERTY

HISTORY SHOWS that great general prosperity occurs only where something approaching a free economy has been reached, and that prosperity always diminishes as government economic regulation increases. A free economy alone offers unlimited opportunity to all.

THOMAS H. BARBER, *Where We Are At*

LUDWIG VON MISES

The ELITE Under Capitalism



A LONG LINE of eminent authors, beginning with Adam Ferguson, tried to grasp the characteristic feature that distinguishes the modern capitalistic society, the market economy, from the older systems of the arrangement of social cooperation. They distinguished between warlike nations and commercial nations, between societies of a militant structure and those of individual freedom, between the society based on status and that based on contract. The appreciation of each of the two "ideal types" was, of course, different with the various authors. But they all agreed in establishing the contrast between the two types of social cooperation as well as in the cognition that no third principle of the arrangement of social affairs is thinkable and feasible.¹ One may disagree with some of the characteristics that they ascribed to each of the two types, but one must admit that the classification as such makes us comprehend essential facts of history as well as of contemporary social conflicts.

There are several reasons that prevent a full understanding of

¹ See Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), pp. 196-199.

Dr. Mises, retired from active teaching, is a part-time advisor, consultant, and staff member of the Foundation for Economic Education.

the significance of the distinction between these two types of society. There is in the first place the popular repugnance to assign to the inborn inequality of various individuals its due importance. There is furthermore the failure to realize the fundamental difference that exists between the meaning and the effects of private ownership of the means of production in the precapitalistic and in the capitalistic society. Finally, there is serious confusion brought about by the ambiguous employment of the term "economic power."

Inborn Inequality

The doctrine that ascribed all differences between individuals to postnatal influences is untenable. The fact that human beings are born unequal in regard to physical and mental capacities is not denied by any reasonable man, certainly also not by pediatricists. Some individuals surpass their fellow men in health and vigor, in brain power and aptitude for various performances, in energy and resolution. Some people are better fit for the pursuit of earthly affairs, some less. From this point of view we may — without indulging in any judgment of value — distinguish between superior and inferior men. Karl Marx referred to "the inequality

of individual endowment and therefore productive capacity (Leistungsfähigkeit) as natural privileges" and was fully aware of the fact that men "would not be different individuals if they were not unequal."²

In the precapitalistic ages the better endowed, the "superior" people, took advantage of their superiority by seizing power and enthraling the masses of weaker, i.e., "inferior" men. Victorious warriors appropriated to themselves all the land available for hunting and fishing, cattle raising and tilling. Nothing was left to the rest of the people than to serve the princes and their retinue. They were serfs and slaves, landless and penniless underlings.

Such was by and large the state of affairs in most parts of the world in the ages in which the "heroes"³ were supreme and "commercialism" was absent. But then, in a process that, although again and again frustrated by a renaissance of the spirit of violence, went on for centuries and is still going on, the spirit of business, i.e., of peaceful cooperation under the principle of the division of labor, undermined the mentality of

² Critique of the Social-Democratic Program of Gotha (Letter to Bracke, May 5, 1875).

³ Werner Sombart, *Händler und Helden* (Heroes and Hucksters) (Munich, 1915).

the "good old days." Capitalism — the market economy — radically transformed the economic and political organization of mankind.

In the precapitalistic society the superior men knew no other method of utilizing their own superiority than to subdue the masses of inferior people. But under capitalism the more able and more gifted men can profit from their superiority only by serving to the best of their abilities the wishes and wants of the majority of less gifted men. In the market economy the consumers are supreme. They determine, by their buying or abstention from buying, what should be produced, by whom and how, of what quality and in what quantity. The entrepreneurs, capitalists, and landowners who fail to satisfy in the best possible and cheapest way the most urgent of the not yet satisfied wishes of the consumers are forced to go out of business and forfeit their preferred position. In business offices and in laboratories the keenest minds are busy fructifying the most complex achievements of scientific research for the production of ever better implements and gadgets for people who have no inkling of the scientific theories that make the fabrication of such things possible. The bigger an enterprise is, the more it is forced to adjust its production activities

to the changing whims and fancies of the masses, its masters. The fundamental principle of capitalism is mass production to supply the masses. It is the patronage of the masses that makes enterprises grow into bigness. The common man is supreme in the market economy. He is the customer "who is always right."

In the political sphere representative government is the corollary of the supremacy of the consumers in the market. The officeholders depend on the voters in a way similar to that in which the entrepreneurs and investors depend on the consumers. The same historical process that substituted the capitalistic mode of production for precapitalistic methods substituted popular government — democracy — for royal absolutism and other forms of government by the few. And wherever the market economy is superseded by socialism, autocracy makes a comeback. It does not matter whether the socialist or communist despotism is camouflaged by the use of aliases such as "dictatorship of the proletariat" or "people's democracy" or "Führer principle." It always amounts to a subjection of the many to the few.

It is hardly possible to misconstrue more improperly the state of affairs prevailing in the capi-

talistic society than by dubbing the capitalists and entrepreneurs a "ruling" class intent upon "exploiting" the masses of decent men. We do not have to raise the question how the men who under capitalism are businessmen would have tried to take advantage of their superior talents in any other thinkable organization of production activities. Under capitalism they are vying with one another in serving the masses of less gifted men. All their thoughts aim at perfecting the methods of supplying the consumers. Every year, every month, every week something unheard of before appears on the market and is very soon made accessible to the many. Precisely because they are producing for profit, the businessmen are producing for the use of the consumers.

Confusion Concerning Property

The second deficiency of the customary treatment of the problems of society's economic organization is the confusion produced by the indiscriminate employment of juridical concepts, first of all the concept of private property.

In the precapitalistic ages there prevailed by and large economic self-sufficiency, first of every household, later — with the gradual progress toward commercialism — of small regional units. The

much greater part of all products did not reach the market. They were consumed without having been sold and bought. Under such conditions there was no essential difference between private ownership of producers' goods and that of consumers' goods. In each case property served the owner exclusively. To own something, whether a producers' good or a consumers' good, meant to have it for oneself alone and to deal with it for one's own satisfaction.

But it is different in the frame of a market economy. The owner of producer's goods, the capitalist, can derive advantage from his ownership only by employing them for the best possible satisfaction of the wants of the consumers. In the market economy property in the means of production is acquired and preserved by serving the public and is lost if the public becomes dissatisfied with the way in which it is served. Private property of the material factors of production is a public mandate, as it were, which is withdrawn as soon as the consumers think that other people would employ the capital goods more efficiently for their, viz., the consumers', benefit. By the instrumentality of the profit and loss system the capitalists are forced to deal with "their" property as if it were other peoples' property entrusted

to them under the obligation to utilize it for the best possible provision of the virtual beneficiaries, the consumers. This real meaning of private ownership of the material factors of production under capitalism could be ignored and misinterpreted because all people — economists, lawyers, and laymen — had been led astray by the fact that the legal concept of property as developed by the juridical practices and doctrines of precapitalistic ages has been retained unchanged or only slightly altered while its effective meaning has been radically transformed.⁴

In the feudal society the economic situation of every individual was determined by the share allotted to him by the powers that be. The poor man was poor because little land or no land at all had been given to him. He could with good reason think — to say it openly would have been too dangerous —: I am poor because other people have more than a fair share. But in the frame of a capitalistic society the accumulation of additional capital by those who succeeded in utilizing their funds for the best possible provision of

the consumers enriches not only the owners but all of the people, on the one hand by raising the marginal productivity of labor and thereby wages, and on the other hand by increasing the quantity of goods produced and brought to the market. The peoples of the economically backward countries are poorer than the Americans because their countries lack a sufficient number of successful capitalists and entrepreneurs.

A tendency toward an improvement of the standard of living of the masses can prevail only when and where the accumulation of new capital outruns the increase in population figures.

The formation of capital is a process performed with the cooperation of the consumers: only those entrepreneurs can earn surpluses whose activities satisfy best the public. And the utilization of the once accumulated capital is directed by the anticipation of the most urgent of the not yet fully satisfied wishes of the consumers. Thus capital comes into existence and is employed according to the wishes of the consumers.

Two Kinds of Power

When in dealing with market phenomena we apply the term "power," we must be fully aware

⁴ It was the great Roman poet, Quintus Horatius Flaccus, who first alluded to this characteristic feature of property of producers' goods in a market economy. See Mises, *Socialism*, new edition, p. 42 n.

of the fact that we are employing it with a connotation that is entirely different from the traditional connotation attached to it in dealing with issues of government and affairs of state.

Governmental power is the faculty to beat into submission all those who would dare to disobey the orders issued by the authorities. Nobody would call government an entity that lacks this faculty. Every governmental action is backed by constables, prison guards, and executioners. However beneficial a governmental action may appear, it is ultimately made possible only by the government's power to compel its subjects to do what many of them would not do if they were not threatened by the police and the penal courts. A government supported hospital serves charitable purposes. But the taxes collected that enable the authorities to spend money for the upkeep of the hospital are not paid voluntarily. The citizens pay taxes because not to pay them would bring them into prison and physical resistance to the revenue agents to the gallows.

It is true that the majority of the people willy-nilly acquiesce in this state of affairs and, as David Hume put it, "resign their own sentiments and passions to those of their rulers." They proceed in

this way because they think that in the long run they serve better their own interests by being loyal to their government than by overturning it. But this does not alter the fact that governmental power means the exclusive faculty to frustrate any disobedience by the recourse to violence. As human nature is, the institution of government is an indispensable means to make civilized life possible. The alternative is anarchy and the law of the stronger. But the fact remains that government is the power to imprison and to kill.

The concept of economic power as applied by the socialist authors means something entirely different. The fact to which it refers is the capacity to influence other peoples' behavior by offering them something the acquisition of which they consider as more desirable than the avoidance of the sacrifice they have to make for it. In plain words: it means the invitation to enter into a bargain, an act of exchange. I will give you *a* if you give me *b*. There is no question of any compulsion nor of any threats. The buyer does not "rule" the seller and the seller does not "rule" the buyer.

Of course, in the market economy everybody's style of life is adjusted to the division of labor, and a return to self-sufficiency is out of the question. Everybody's

bare survival would be jeopardized if suddenly he would be forced to experience the autarky of ages gone by. But in the regular course of market transactions there is no danger of such a relapse into the conditions of the primeval household economy. A faint image of the effects of any disturbance in the usual course of market exchanges is provided when labor union violence, benevolently tolerated or even openly encouraged and aided by the government, stops the activities of vital branches of business.

In the market economy every specialist – and there are no other people than specialists – depends on all other specialists. This mutuality is the characteristic feature of interpersonal relations under capitalism. The socialists ignore the fact of mutuality and speak of economic power. For example, as they see it, “the capacity to determine product” is one of the powers of the entrepreneur.⁵ One can hardly misconstrue more radically the essential features of the market economy. It is not business, but the consumers who ultimately determine what should be produced. It is a silly fable that nations go to war because there is a munitions industry and

that people are getting drunk because the distillers have “economic power.” If one calls economic power the capacity to choose – or, as the socialists prefer to say, to “determine” – the product, one must establish the fact that this power is fully vested in the buyers and consumers.

“Modern civilization, nearly all civilization,” said the great British economist, Edwin Cannan, “is based on the principle of making things pleasant for those who please the market and unpleasant for those who fail to do so.”⁶ The market, that means the buyers; the consumers, that means all of the people. To the contrary, under planning or socialism the goals of production are determined by the supreme planning authority; the individual gets what the authority thinks he ought to get. All this empty talk about the economic power of business aims at obliterating this fundamental distinction between freedom and bondage.

The “Power” of the Employer

People refer to economic power also in describing the internal conditions prevailing within the various enterprises. The owner of a private firm or the president of

⁵ Cf. for instance, A. A. Berle, Jr., *Power without Property* (New York: Harcourt, Brace, Inc.), 1959, p. 82.

⁶ Edwin Cannan, *An Economist's Protest* (London: P.S. King & Son, Ltd., 1928), pp. VII.

a corporation, it is said, enjoys within his outfit absolute power. He is free to indulge in his whims and fancies. All employees depend on his arbitrariness. They must stoop and obey or else face dismissal and starvation.

Such observations, too, ascribe to the employer powers that are vested in the consumers. The requirement to outstrip its competitors by serving the public in the cheapest and best possible way enjoins upon every enterprise the necessity to employ the personnel best fitted for the performance of the various functions entrusted to them. The individual enterprise must try to outdo its competitors not only by the employment of the most suitable methods of production and the purchase of the best fitted materials, but also by hiring the right type of workers. It is true that the head of an enterprise has the faculty to give vent to his sympathies or antipathies. He is free to prefer an inferior man to a better man; he may fire a valuable assistant and in his place employ an incompetent and inefficient substitute. But all the faults he commits in this regard affect the profitability of his enterprise. He has to pay for them in full. It is the very supremacy of the market that penalizes such capricious behavior. The market forces the entrepreneurs to deal

with every employee exclusively from the point of view of the services he renders to the satisfaction of the consumers.

What curbs in all market transactions the temptation of indulging in malice and venom is precisely the costs involved in such behavior. The consumer is free to boycott for some reasons, popularly called noneconomic or irrational, the purveyor who would in the best and cheapest way satisfy his wants. But then he has to bear the consequences; he will either be less perfectly served or he will have to pay a higher price. Civil government enforces its commandments by recourse to violence or the threat of violence. The market does not need any recourse to violence because neglect of its rationality penalizes itself.

The critics of capitalism fully acknowledge this fact in pointing out that for private enterprise nothing counts but the striving after profit. Profit can be made only by satisfying the consumers better or cheaper or better and cheaper than others do. The consumer has in his capacity as customer the right to be full of whim and fancies. The businessman qua producer has only one aim: to provide for the consumer. If one deplores the businessman's unfeeling preoccupation with profit-seeking, one has to realize two

things. First, that this attitude is prescribed to the entrepreneur by the consumers who are not prepared to accept any excuse for poor service. Secondly, that it is precisely this neglect of "the human angle" that prevents arbitrariness and partiality from affecting the employer-employee nexus.

A Duty of the Elite

To establish these facts does not amount either to a commendation or to a condemnation of the market economy or its political corollary, government by the people (representative government, democracy). Science is neutral with regard to any judgments of value. It neither approves nor condemns; it just describes and analyzes what is.

Stressing the fact that under unhampered capitalism the consumers are supreme in determining the goals of production does not imply any opinion about the moral and intellectual capacities of these individuals. The individuals qua consumers as well as qua voters are mortal men liable to error and may very often choose what in the long run will harm them. Philosophers may be right in severely criticizing the conduct of their fellow citizens. But there is, in a free society, no

other means to avoid the evils resulting from one's fellows' bad judgment than to induce them to alter their ways of life voluntarily. Where there is freedom, this is the task incumbent upon the elite.

Men are unequal and the inherent inferiority of the many manifests itself also in the manner in which they enjoy the affluence capitalism bestows upon them. It would be a boon for mankind, say many authors, if the common man would spend less time and money for the satisfaction of vulgar appetites and more for higher and nobler gratifications. But should not the distinguished critics rather blame themselves than the masses? Why did they, whom fate and nature have blessed with moral and intellectual eminence, not better succeed in persuading the masses of inferior people to drop their vulgar tastes and habits? If something is wrong with the behavior of the many, the fault rests no more with the inferiority of the masses than with the inability or unwillingness of the elite to induce all other people to accept their own higher standards of value. The serious crisis of our civilization is caused not only by the shortcomings of the masses. It is no less the effect of a failure of the elite. ♦



ABOUT MARIJUANA

ABOUT THE AUTHOR:

AS EARLY AS 1960, Dr. Franz E. Winkler began to speak publicly against the use of psychotropic drugs for non-medical purposes, in magazine articles, in lectures at colleges, and most recently on television. In a one-hour TV interview, called "What's Happening to the Family?" produced by Capital Cities Broadcasting Corporation and now being seen in cities throughout the nation, Dr. Winkler speaks especially of the use of marijuana. He also mentioned it in his appearance in February on WNBC TV's program "For Women Only." The letter printed here was written in response to one of the thousands of inquiries received by Dr. Winkler following his recent appearances.

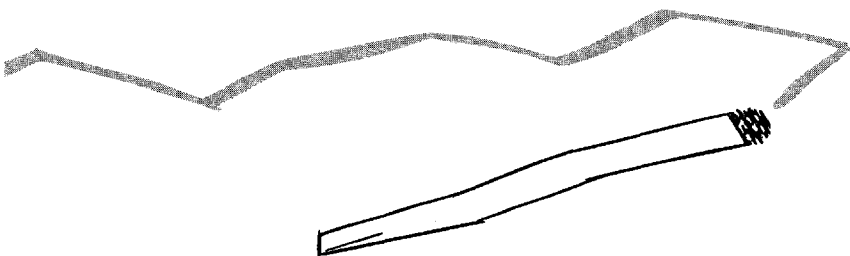
Franz E. Winkler was born in Austria and came to New York as a young doctor. He received his medical degree from the University of Vienna and studied under Sigmund Freud and the Nobel Prize winner, Wagner-Von Jauregg, both of whom

were family friends. He specialized in internal medicine and psychiatry and, before leaving Austria, was head of a hospital in Graz for internal and neurological diseases. In New York City, Dr. Winkler has a private practice and serves on the teaching staff of Clinical Medicine at the New York Medical College. He is medical adviser to the Waldorf School in Garden City and a trustee of Adelphi University.

Dr. Winkler's book, *Man: The Bridge Between Two Worlds*, was published by Harper & Row in New York in 1960, and has since appeared in German, Dutch, and Russian editions. Recently, the book was republished by Gilbert Church, Publisher, 475 Fifth Avenue, New York, N. Y. 10017.

Dr. Winkler has been President of the Myrin Institute since its foundation in 1953.

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February 13, 1970

Dear Mrs. K.,

Your call was greatly appreciated. There exists no transcript of my remarks on marijuana in the TV panel discussions held during the first week of this month, but I shall try to answer your question by briefly summarizing my view.

Although the existing laws clearly indicate that the majority of scientists are aware of the damage the drug causes to the physical, mental, and genetic organism, years may pass before a sufficient number of case histories can be collected to offer irrefutable proof. Then it will be too late for millions.

Unfortunately, a group of (let us hope) well-meaning but certainly misguided individuals declares publicly that marijuana is harmless, without possessing either the training or the opportunity for a valid judgment on the matter. Knowledge in sociology or

other nonmedical sciences, significant as it may be, simply does not count in areas to which it does not pertain. Yet the American public is so authority-conscious that it will readily accept from a person prominent in one subject views on other matters of which he knows nothing.

The failure of the medical profession to become fully aware of the subtle but in my opinion disastrous effects of marijuana may have the following reason. The old-fashioned family doctor would have been quick to notice these effects and to eliminate their cause. And even today the general

practitioner would still be in a position to observe the destructive effects of marijuana, were he not too busy to deal with psychological problems. The psychiatrist, on the other hand, sees the already psychologically disturbed patient at a time when it is no longer possible to distinguish between pre-existing psychotic tendencies and marijuana effects.

Since my main interest in medicine happens to be the health of the personality as a whole, I have tried for thirty-eight years to make friends with very young children and to keep their confidence and friendship through their adolescent and adult years. Moreover, my experience includes a steady stream of young people who have heard a lecture, read a publication, or seen a TV program of mine. They do not come as patients but merely to discuss their views on life with an older man. Thus, I have known many people for a long time, not just as a physician but as a friend. Among them there are those who have taken marijuana at one time or another, giving me a chance to observe its effects on the deeper strata of the personality, strata well hidden from a casual observer.

In this long experience, I have come to the conclusion that the

abuse of marijuana is one of the major tragedies of our time. While hard drugs cause far more obvious physical and mental harm, they are mostly used by people already defeated by life, who seek in them a way to oblivion. What makes the use of marijuana tragic is that it appeals not only to the neurotic and already defeated but to healthy young people who seek in it nothing worse than diversion or an expansion of consciousness. Unknown to themselves and unnoticed by a generation of parents, teachers, and physicians often too busy or uncaring to pay real attention to anyone but themselves, some of the finest young people are thus condemned by sheer ignorance to a gradual disintegration of their personality.

An early effect of marijuana and hashish use is a progressive loss of will power, already noticeable to the trained observer after about six weeks of moderate use. The loss of will power weakens the ability to resist coercion, so that marijuana users too often fall victim to hard drug pushers, extortionists, and deviates. Soon all ability for real joy disappears, to be replaced by the noisy pretense of fun. While healthy teen-agers will eagerly participate in all kinds of activities, such as sports, hiking, artistic endeavors, a mari-

juana user will show an increasing tendency to talk endlessly of great goals, while doing nothing about them. Athletic abilities invariably fall off with the use of marijuana. Artistic achievements become meaningless and lose all originality. Instead of developing strong feelings toward others, the marijuana user is apt to wallow in sentimental emotions. Since the drug removes inhibitions, sex life may be stimulated for a brief period but invariably declines within a few years, leaving men all but impotent and women frigid.

Aware of the fact that most dedicated pot smokers would refuse to accept my views on faith, I usually offer them the following proposition: "Conduct an independent investigation of your own. Pick any individual among your classmates, friends, or relatives who has been taking marijuana for at least a year but whom you had known well before he started taking the drug. Then compare his present personality with his former self. If you do not find that he is turning into an empty shell, that he is on the way to becoming a pitiful caricature of his earlier self, I shall make no further effort to convince you." I do not remember one single high school or college student seriously undertaking this investigation who did not

return deeply shocked by his experience. Most of them not only made a resolution never to take the drug but became most effective crusaders against it among their contemporaries. Unfortunately, people are not observant enough to notice the weird but elusive changes in themselves or others unless their attention is directed to them.

The often-heard argument that alcohol is just as bad as marijuana is meaningless, since the lasting effects of moderate amounts of alcohol are minimal in contrast to the harmful effects of even a couple of reefers daily. An illness does not become more attractive by the statement that another one is just as bad. Moreover, a great number of marijuana users have turned to alcohol when their drug habit no longer suffices to mask the growing despair of inner emptiness.

Sincerely,

Franz E. Winkler, M. D.

APPENDIX:

Of interest to readers of Dr. Winkler's letter will be the report written in November, 1969, to a commission of inquiry impaneled in Canada to inquire into the non-medical use of drugs. In it Dr.

Keith Yonge, president of the Canadian Psychiatric Association, writes:

"... the use of these drugs does indeed induce lasting changes in personality functioning, changes which are pathological in so much as they impair the 'mental and social well-being.' ...

"The harmful effects are of the same order as the pathology of serious mental illness (psychosis), namely, in distorting the perceptual and thinking processes and in diverting awareness from reality, impairing the individual's capacity to deal with the realities of life.

"The argument that marijuana is no more harmful than alcohol is specious. Although alcohol does constitute a serious health hazard in our society because of its readiness to intoxication, its action on the mental processes cannot be simply equated with that of marijuana. The primary action of alcohol is that of a relaxant. Impairment of mental functioning occurs when intoxicating quantities are

taken. Marijuana, as with all the psychotropic drugs, on the other hand, acts solely as an intoxicant, its effects being primarily the distortion of perception and reasoning.

"In psycho-social development man grows from the prevalence of self-gratification and dependency, with little regard for reality, to the prevalence of self-determination and self-abnegatory involvement in his society. Against this progression, the trend toward 'instant' self-gratification and artificial self-exploration (by the use of psychotropic drugs) is distinctly regressive — a reversion to the immature, the primitive. The regression is further evidenced in the other trends in group behavior with which the nonmedical use of drugs tends to be associated — reversion to the crude or primitive in speech, in sexual expression, and in taste for music forms — however much these may be rationalized as emancipation from socio-cultural oppression." (P)

(as quoted in the *New York Post*,
February 24, 1970.)



Collective Bargaining:

The Power to Destroy

IN THE MIDST of postal strikes, teamsters' stoppages, and predictions of upheavals in the auto workers' union, it is reassuring to read Merryle Stanley Rukeyser's *Collective Bargaining: the Power to Destroy* (Delacorte Press, \$7.50). Mr. Rukeyser, a long-term student of the labor movement, has such a sublime trust in the market that he actually undermines the part of his title that speaks of "the power to destroy." What he is saying is that sanity will prevail as long as the customer is the final arbiter of both wages and prices.

Before dealing with the good news in this book, however, the reviewer must admit that a lot of "ruin" can happen before sanity takes over. Mr. Rukeyser is quite aware that the unions, in putting their faith in Keynesian doctrines

that lead to perpetual inflation, can hurt the customer badly before he reacts. Mr. Rukeyser doesn't think much of AFL-CIO boss George Meany's "diversionary" attack on profits. The general labor animus against Lemuel Boulware's efforts to inject some common honesty into collective bargaining tactics bothers Mr. Rukeyser. But in the final analysis this is a supremely hopeful book. It sees prudence taking over in labor-management relations before there is any disastrous plunge over the precipice.

The sophisticated modern employer, says Mr. Rukeyser, is no longer a labor-baiter intent upon "liquidating" the unions. The prudent employer, in his opinion, knows that he is only a middleman who stands between the worker and the customer. The

problem is always to reach a compromise on wages that will not push costs so high that the customer will revolt. At the same time labor must be given the incentive to reduce the unit cost of producing something that the customer will like. The far-seeing manager will try to remain just a bit ahead of the labor market rather than behind, for he knows that "lagard employers get the least productive workers."

Man vs. Machine

Mr. Rukeyser realizes that ambitious labor leaders, fighting to remain in control of their unions, will often press management too hard. In cases where the unions have monopoly power this could result in an industry pricing itself into bankruptcy. But instances of actual union monopoly are few and far between. The truth, says Mr. Rukeyser, is that the human worker is always in competition with machines. It is not "man hours" that provide an accurate measure of productivity; it is "man-tool hours." When unions force costs up faster than productivity rises, the whip is on management to invest in the latest thing in automation. The superior tool cuts the unit cost of production by putting men out of work.

The tenure of employment, Mr. Rukeyser insists in several places

in his book, depends on ratification by the customer of management's judgment about working conditions. Mr. Rukeyser's analysis follows the economics of Ludwig von Mises. "The open marketplace," he says, "is a quasi-democratic voting booth where consumer plebiscites continuously take place."

It is Mr. Rukeyser's hope that both management and labor in the future will concur in the desirability of establishing "conditions for optimum growth." The union effort should be to "expertly determine what slice of the growth-income pie can go to employees without impairing expansion." It follows from this that the unions should welcome what is now called "Boulwarism."

End the Tomfoolery

As students of post-World War II labor-management history know, Lemuel Boulware of General Electric flabbergasted the unions by advising management to "do right voluntarily." The Boulware idea was to open up a continuing dialogue between rank and file union workers and a company's cost accountants and personnel directors. Under "Boulwarism" information about a company's competitive position would be made available to the workers before negotiations. With every-

thing on the table, a company would be able to make a "fair, firm" offer to the union. The offer would be subject to change in detail, but it would be up to the union negotiators to show where it would not be hurtful to the industry and to the workers themselves if any drastic alterations were accepted. There would be an end to flummery under the Boulware dispensation. No more phony preliminary offers, and no more phony demands, all pitched toward making the union negotiators look like indispensable supermen in the eyes of a hoodwinked rank and file after a compromise had been reached.

It is a sad commentary that the unions have never accepted Boulwarism. Still, Mr. Rukeyser puts his trust in the final triumph of the scientific approach. He doesn't think that politicians in Washington can be trusted to make realistic economic decisions. Unions and management must come to accept the "new ideals of collective consultation." "Boulwarism," perhaps under a different name, will become the general working practice.

David McDonald, former head of the United Steel Workers, was groping toward the Boulware concept when I. W. Abel defeated him for the presidency of the steel union. But, despite this setback,

the "innovation of all-year-round consultative machinery," as a replacement for "eleventh-hour crisis bargaining," had growing support among the steelworkers. Former UN Ambassador Arthur Goldberg, once a prominent union attorney himself, brought forth the idea of a Human Relations Committee, which is "Boulwarism" with a union label cachet.

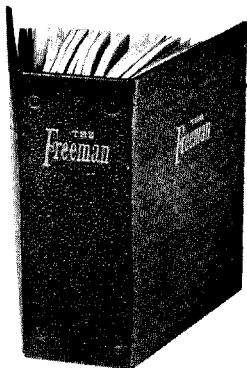
Harmony of Interests

Mr. Rukeyser knows that the Marxian idea of a perpetual class conflict dies hard. But he cites instances where Henry Carey's "harmony of the interests" has routed the Marxists. When the Federal Communications Commission was threatening an investigation of telephone rates, Joseph Beirne, the head of the AFL-CIO Bell Company union, publicly accused the FCC staff of trying to punish the American Telephone and Telegraph Company for success. Mr. Beirne made the point that the government was hoping to reward Western Union for being a less powerful competitor by making things difficult for the more efficient AT&T. The FCC had proposed to divest AT&T of its leased wire services and to turn these over exclusively to Western Union, which would have ended customers' choice in TWX, or leased wire, services. The ridicu-

lous thing about the whole business was that the FCC itself had approved the rates for the AT&T TWX services. If they were so low as to provide unfair competition, it was the FCC's own fault.

Mr. Rukeyser thinks it is up to the unions and management to make common and enlightened cause in fighting the drift to what he calls "American Falangism." Falangism, of course, is what they have in Franco's Spain, where the symbols of free enterprise are retained but the government makes

the crucial economic decisions. When President Kennedy substituted his judgment for that of the market in the steel price controversy of 1962, he was acting as a Falangist. The attempts to substitute compulsory restraints for free bargaining are also in the Falangist pattern. It is because of the menace to "both their houses" that labor and management have a common interest in moving toward "collective consultation" as a substitute for "primitive collective bargaining." 



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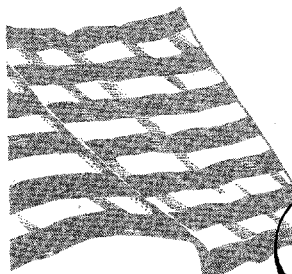
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a Song for all seasons

*O! say can you see by the dawn's early light,
What so proudly we hail'd at the twilight's last gleaming....*

RING familiar? It should, for that is the opening of what is probably the most "played" song in America, and perhaps in all history. How about it? Can you fill in the rest of the words? The number of Americans who stumble trying to do so might surprise you.

American officialdom dillydallied for many years over the question of a national anthem. It was not until 1931 — some 155 years after the Declaration of Independence — that Congress put its official stamp of approval on "The Star-Spangled Banner." President Herbert Hoover signed the measure into law on March 3, 1931.

Critics of Francis Scott Key's classic — and there have been some over the years — say that Congress still acted hastily and unwisely.

Mr. Linford, now free lancing, worked many years in various phases of the newspaper and publishing business.

They contend that further consideration might have resulted in the selection of a more appropriate song as the symbol of the nation's heartbeat.

The tune's wide vocal range makes it difficult to sing, they claim, and its belligerent yet obscure message is out of step with modern tastes and needs. The oncoming generation, we are jokingly told, finds the song so closely identified with football games and the like that it is regarded as some kind of a sports tune.

Defenders of the anthem agree with some of the shortcomings

cited, but insist that it serves the nation adequately and well, and that its enormous prestige and world-wide familiarity preclude any serious thoughts of change. To them, junking "The Star-Spangled Banner" would be like destroying a vital part of the nation itself, and therefore is unthinkable.

The silent majority we hear so much about these days hasn't been heard from lately, but silence in this case can only signify at least a certain satisfaction with the status quo.

The fact is, Congress hesitated to act as long as it did simply because of doubts and uncertainties as to the best selection. Many efforts to force legislative action over the years came to naught. A whole series of bills on the subject were allowed to die in committee, with scarcely a hearing, until that august assemblage finally decided to act and gave the United States of America at long last an official national anthem.

Despite obvious reluctance in high places, there was little real room for doubt as to what the selection would be. When Congress finally acted, it was only recognizing and confirming the obvious. For Francis Scott Key's patriotic song had held the honor, in practice and spirit if not in fact, for a half-century or more and had

been a favorite of the people ever since 1814 when it was composed.

Making It Official

History strongly suggests that "The Star-Spangled Banner" had the inside track almost from the time it first took the young and shaky nation by storm during the War of 1812. Within a matter of days after Key was inspired to wax poetic about the successful defense of Fort McHenry against the British, the song was a popular hit with the American public, and it was soon being played and sung all over the country.

The tune, which had been borrowed from a British ballad, was already well-known and popular, and the fiery lyrics inspired the hard-pressed patriots to new heights of national pride and dedication.

"The Star-Spangled Banner's" popularity never waned, even when time began to blur the image of its ardent message. It became and remained THE song for patriotic occasions, sometimes sharing the honor with other favorites but seemingly always holding its own.

The song moved importantly toward official status in the 1890's when Army and Navy regulations were amended to require that it be used as the national anthem at appropriate functions. President Woodrow Wilson reaffirmed this

requirement in 1916 as the nation strived for stature among world powers and inched toward involvement in World War I.

Thus, it was little more than a formality 15 years later when Congress and President Hoover made the selection official.

Other Candidates

Other popularly-acclaimed songs were available—several, in fact. But serious challengers to the supremacy of “The Star-Spangled Banner” seemed to suffer handicaps that worked against them.

The old favorite “America” (My country, ’tis of thee), for instance, has been widely heralded for its hymn-like melody and tranquil lyrics ever since it was written in 1832. But the fact that the tune was the same as that of the British national anthem, “God Save the King,” tended to lessen its chances of becoming the official anthem of this country.

Should this have made a difference? Perhaps not. But it did make a difference, especially to Americans of an earlier day who more than once felt the sting of hostile British barbs and power.

The melody of the song in question, incidentally, at one time or another has been copied and used by as many as 20 other nations, and historians are in doubt as to its exact origins. Samuel Francis

Smith, who wrote the words to “America,” for example, first found the tune in an old German songbook, unaware of any British claims to it at the time.

Another early favorite—and our first national anthem-like song, in fact—was “Hail! Columbia,” written during the presidency of George Washington and adapted to the melody of the President’s March. Its lyrics call for national unity and peace with an underlying plea for nonintervention in European wars, a hot issue those days.

Firm, united let us be,
Rallying round our liberty,
As a band of brothers joined,
Peace and safety we shall find.

This song nearly matched “The Star-Spangled Banner” in popularity for many years. But, for one thing, later generations of Americans failed to identify themselves with Columbia, which rivaled America for a time as the name for the new nation, and the song gradually fell behind.

Much the same thing might be said of another favorite, “Columbia, the Gem of the Ocean” (Three cheers for the Red, White, and Blue), which was written in 1843, though it was more a snappy marching piece than a serious contender for anthem status.

The Civil War era brought forth

a host of stirring songs and ballads whose popularity skyrocketed, and has lingered. But since they were identified in the public mind on a partisan basis with either Northern or Southern causes, they had strikes against them as national anthem candidates.

Included in this category were the Southern favorites, "Dixie" and "Maryland, My Maryland," and the Northern classics, "The Battle Cry of Freedom" and "Battle Hymn of the Republic."

The jazzy Dixie song was composed in 1858 by a Northern song-and-dance man named "Jolly" Dan Emmett for a minstrel show as he yearned for mild southern winters during an especially cold spell of weather in New York. Dixie went on to become the war song of the Confederacy, and it bolstered Southern spirits as no other.

"Maryland, My Maryland," a very moving hymn set to the music of the old German folk song, "O Tannenbaum," was put together in 1861 by James Ryder Randall of Baltimore and spoke vividly for all of the South throughout the War.

"The Battle Cry of Freedom" (The Union forever, hurrah, boys, hurrah!) was composed by George Frederick Root of Chicago to rally support for the Union cause and to aid in army recruiting. So effective were its stirring rhythms

and fiery lyrics that some historians credit the song with having inspired the Union on to victory.

"Battle Hymn of the Republic," of course, was the North's leading patriotic song. Mrs. Julia Ward Howe of Boston wrote the words, which have continued to echo down through the years. They were set to the familiar melody of "John Brown's Body." With its partisan Civil War connotations having faded with the years, this powerful hymn is high on any list of all-time favorites.

Another entry in the field that enjoys a huge following is "America, the Beautiful" (O beautiful for spacious skies), dating back to 1893. The magnificent view from the summit of Pike's Peak in Colorado inspired a vacationing New England school teacher named Katherine Lee Bates to compose the lyrics, which were set to the music of a well-known hymn, "Materna."

A more recent challenger that rates more than passing mention is Irving Berlin's "God Bless America," which Kate Smith and others advanced with patriotic fervor into the front ranks of popular music during World War II. Written by Berlin as a hymn for peace, its moving melody is easy to follow and its lyrics relate to universal human sentiments.

A national poll after the war

listed "God Bless America" as our second most famous national song. Number one? "The Star-Spangled Banner"!

Would results today be any different? Chances are, "The Star-Spangled Banner" is even more widely-known and appreciated. Ask the average American (most of us) and he will respond with something like: "Sure I like it! It's the national anthem, isn't it?"

It is that! And, in the words of flag historian Milo M. Quaife, "it is one of the most remarkable patriotic outbursts ever penned." Somewhat like the American flag, our national anthem "has come to

signify honor and love of country beyond price."

The next time someone guffaws in your presence over "The Star-Spangled Banner," suggest that he give the lyrics at least a quick once-over — for old times' sake if for no other. It can be a rewarding experience — like, for instance, these lines at the end of the fourth verse:

Then conquer we must, for our
cause it is just,
And this be our motto — "In God is
our trust,"
And the star-spangled banner in
triumph shall wave
O'er the land of the free, and the
home of the brave.



IDEAS ON



LIBERTY

The Protection of Property

THE SAME liberal construction which is required for the protection of life and liberty, in all particulars in which life and liberty are of any value, should be applied to the protection of private property. If the legislature of a State, under pretense of providing for the public good, or for any other reason, can determine, against the consent of the owner, the uses to which private property shall be devoted, or the prices which the owner shall receive for its uses, it can deprive him of the property as completely as by a special act for its confiscation or destruction. If, for instance, the owner is prohibited from using his building for the purposes for which it was designed, it is of little consequence that he is permitted to retain the title and possession. . . .

JUSTICE STEPHEN J. FIELD'S dissenting opinion
in *Munn vs. Illinois*, 94 U. S., 113. (1877)

WHAT IS PROPERTY ?

WILLIAM W. BAYES

PRIVATE PROPERTY has been the object of attack by socialists ever since the first nonproducer enviously viewed the fruit of the labors of the first producer. Property, like religion, has had ascribed to it all the evils arising out of the hearts of men. The institution of private property, some say, has perpetuated every manner of "social injustice." Karl Marx and Friedrich Engels called for the abolition of private property in the *Communist Manifesto*. Pierre Joseph Proudhon, a social-theorist contemporary of Marx, declared, "Property is theft!" He conveniently ignored the fact that theft has no meaning if there is no concept of property. Present-day proponents of the welfare state assert, in the name of "social

justice," that "human rights are more precious than property rights." The inference one is expected to draw, presumably, is that rights belonging to humans are more important than rights belonging to property — except that the human who owns the property is to be dropped from consideration.

These arguments for "social justice"¹ have a common denominator: an appeal to the emotions. Such an appeal is fraudulent. It would be fraudulent even if the unsupported assertions accompanying it were sound. It is fraudulent because it denies that

¹ The term "social justice" is one that needs to be analyzed. The modifier, the word *social*, implies that justice is divisible, which it is not. Since governments (which enforce justice) are instituted among men to secure the rights of life, liberty, and the pursuit of happiness, any violation of these rights in the name of "social justice" would deny elemental justice.

Mr. Bayes, a Senior Master Sergeant in the U.S.A.F., is enrolled in a master's degree program in Political Science at the University of Southern Mississippi. The views expressed here are his own and not to be construed as representing the views of the Air Force.

one's listeners or readers are capable of interpreting a rational argument. If they are not, whatever action they may take in response to the appeal must be non-rational at best and perhaps even dangerous. Such emotional appeals, carried a bit further, have induced mobs to riot, loot, burn, and kill. One who desires to persuade others to accept a belief or to act in a rational manner ought to define his terms so that his listeners or readers will know exactly what he means when he uses those terms. To do else is to ask others to act on the basis of emotional stimulus, rather than on the basis of reason.

Largely by defining my terms I intend to show: (1) that property, far from being theft, is the result of a creative process; (2) that property so created benefits all, especially wage earners; (3) that property rights and human rights are identical; and (4) that such so-called human rights as "economic rights" are neither economical nor are they rights.

Human Rights Are Property Rights

I have said that the type of argument exemplified by the "human rights *versus* property rights" dichotomy is fraudulent. It is so because it does not define these terms about which it makes bold asseverations. If those who so

argue should define these terms, it would appear that logic would compel them to change the relationship of the terms from one of opposition to one of identity: human rights *are* property rights. In order to demonstrate that this assertion is correct, we must first define the word *property*:

... 3. Possessions irrespective of their ownership; wealth; goods; specif., a piece of real estate. 4. The exclusive right to possess, enjoy, and dispose of, a thing; ownership; ... incorporeal rights, as patents, copy-rights, rights of action, etc., ... 5. That to which a person has legal title; thing owned; ... anything, or those things collectively, in or to which a man has a right protected by law; ...²

Property, then, is the *thing owned*, such as a material object or an incorporeal right. The above definition also mentions "rights of action." Actually, this *right to act* is the essence of property. If you doubt this, imagine "owning" a piece of property on the planet Jupiter, where you could not get to it or do anything with it. This view is not generally understood, because many tend to think of property as static.

Let us for a moment envision a

² Webster's New International Dictionary (Second Edition, Unabridged; Springfield, Mass.: G. & C. Merriam Company, 1950), p. 1984.

supposedly static property, such as a piece of land. Even when an owner of such land seems not to be using it, he is *acting*. Action is, of course, (or should be) determined by purpose. If the owner is holding the land to sell at a profit, he is using it; he is *acting*. His holding of the land is not hurting anyone else; rather, the taxes he pays support government functions. If it becomes essential to society that the land be productively used, at least two circumstances will concur: (1) he will be offered a price that will tempt him to sell the land; (2) the local government will raise his property taxes to a level that will discourage his unproductive use of the land while waiting for a higher price.

Either his land is *not* needed for production or living space by society, in which case its apparent disuse disturbs no one; or the land *is* needed by society for production or living space, in which case its owner will be motivated by circumstances to use it for production, rent it, or sell it. Whatever decision he makes, he will be *acting* for his own purposes; and his own purposes will not conflict with the good of society. Nature abhors a vacuum, and the economy abhors disuse of needed resources; nature will see to it that the vacuum is filled at

the first opportunity, and the economy will see to it that needed resources are actively employed. Thus, we see that property always involves a *right to act*. And we have observed that apparent inaction is a form of action. That is why we speak of the *right to property*, rather than the *right of property*. Property, as the *thing owned*, has no rights. Only humans have rights; and these rights, all involving the *right to act*, are *property*.

The Right to One's Own Life

The fundamental right for any human is the right to his own life. He *owns* his own life, unless he is a slave. (Even if he is a slave, he has the natural right to his own life, but he is unable to enforce it or claim it.) His life does not belong to any other person or group. The *thing owned* is his body, and the related *right to act*, or property right, is the right to live. Now, matter is eternal, but human life is not; life must be sustained by procuring and consuming the means of subsistence. If we agree that man has a right to live, we must agree that man may use his mental and physical faculties to procure those means. Since the means (food, clothing, shelter, and the like) do not usually lie readily at hand, he must find or grow the food, manufacture the clothing,

and build the shelter. In short, he must produce.

To produce is to *create* anything with exchangeable value.³ To create means, of course, to cause to come into existence what did not exist before. In the literal sense, of course, no man can create; he can only alter the form of things which already exist and discover laws which he can use as means to accomplish his ends. But the new form is something which did not exist before, and this is what we call creation. Thus, growing wheat, building a house, manufacturing clothes or automobiles, painting a picture, and providing such services as transportation, education, and legal advice, are all forms of *creation*. Those which do not involve originality are lower forms of creation, but they are still creation inasmuch as they bring into existence what did not exist before.

Creation vs. Expropriation

This creative aspect of capitalism is in sharp contrast to the *expropriative* aspects of socialism and the welfare state. Under capitalism, everyone is entitled to engage in free enterprise, must bear his own risks, and is entitled to

receive whatever returns his creative enterprise will bring him. Under socialism, a man is not entitled to engage in free enterprise, he receives as a wage whatever the authorities decide to grant him, and he has no opportunity to earn more than a subsistence unless he is a high-ranking member of the bureaucracy. Under the welfare state, a man is entitled to engage in free enterprise, must bear his own risks, but is not entitled to receive whatever returns his creative enterprise will bring him. He finds that he is held responsible for those whose mental and physical faculties have been unused or misused. His returns are eroded by the effects of unfair labor laws and all manner of taxes, including the obviously inequitable progressive income tax. He is, in effect, penalized for his creativeness.

A corollary of the right to produce is the right to keep that which one has created. If one may keep this product, it follows that one may consume it, exchange it for goods or services offered by someone else, sell it, or give it away. He may do all these things because the right of the producer, or creator, is anterior to that of any other person or group. To assert that he does not have a primary right is, in effect, to deny him any right whatever. It is to

³ *Britannica World Language Edition of Funk & Wagnalls Standard Dictionary* (Chicago: Encyclopaedia Britannica, Inc., 1966), Vol. 1, p. 1006.

say that he holds his property by sufferance of anyone (including a government) who is stronger than he, and that it is proper to plunder. But if it is proper to plunder from the producer, then it must, *a fortiori*, be proper to plunder from one who has himself plundered. It must then follow that only might can make right—one may take from another when one has the might, and one may keep only what one has the might to defend. Unless a person is prepared to accept the “might makes right” philosophy, he must respect another’s right to live, to produce, and to consume, keep, exchange, sell, or give away that which he has produced. These property rights, it is important to remember, are dynamic, not static; they involve the right to *act*.

A man retains his property rights in any excess of his production over his personal consumption. It is important to remember, in this regard, that a man’s production depends, not only upon his physical strength, but also upon his mental powers, his powers to create: to think, devise, plan, organize, coordinate, and so on. That which is physically performed by an employee is made possible by the producer’s investment of his previously created capital and his managerial expertise. *No one else*

loses anything by reason of such action by the producer, any more than if he had produced only what he could personally consume. It must be remembered that he is *producing*, not expropriating the products of others.

Everyone Gains

But wait! While no one else loses, others *gain* as a result of this production in excess of personal consumption. The producer may create an enterprise employing hundreds, possibly thousands, of persons. These jobs would not have existed without his creative efforts. Nor would the consumers have the benefit of the products this enterprise produces. In pursuing his own self-interest, producing the means for his own subsistence and achieving his own self-fulfilment, he becomes a benefactor of his community.

Remember Proudhon’s dictum: “Property is theft!” We have seen that property is *created* although it is true that under socialism property is not free from the taint of stolen goods. Proudhon, who presumably had the interests of the poor at heart, could not have meant that nonproducers steal from producers (else he would have fought *for* property rights), nor that producers steal from other producers (which would have been a proper subject for criminal law, not for social legis-

lation); therefore, he must have meant that producers steal from nonproducers or marginal producers. But, if the nonproducers do not create wealth, and if the marginal producers produce barely the means of subsistence, then they have little that may be stolen from them. (Mind, savings, and tools are the chief ingredients in the production of wealth — not manual labor.)

But property does not consist merely of real and personal possessions. Intangible, or incorporeal, rights which we Americans value as priceless, such as those guaranteed by the Constitution, being *things owned* and involving the *right to act*, are property. This means that such rights as the rights to free speech, to worship, to peaceful assembly, and to due process, are all property. If they are property, then the rights involved are essentially property rights. There is no right which is not property, and there is no property which, if not a right in itself, is not a fruit of the exercise of a right. Thus the false polarization of human rights and property rights and the substitution of spurious rights to the property of others, as in the "right" to an education or to a guaranteed annual income, are but further links in the chain of violations of the real human rights, which are all prop-

erty rights. A human without property rights is without rights.

Our Rights as Property

This view, that rights themselves are property, is a legitimate part of our political heritage. John Locke, from whose writings the Founding Fathers freely drew intellectual inspiration and guidance, asserted that we have property in our persons as well as in our possessions.⁴ We have property in our life and in our mental and physical faculties. When these faculties are applied, as by mixing one's labor with nature's bounty, they create tangible property.

Both Thomas Jefferson and James Madison believed that "... government may not violate, directly or indirectly, 'the property which individuals have in their opinions, their religion, their persons and their faculties. . . .'"⁵

It is interesting to note that many professors who do not share this traditional view of property pay it unwitting tribute when they insist upon "academic freedom." For so-called academic freedom is nothing more than the right (possessed by every free citizen and not merely by academicians) to hold (*i.e.*, to *own*) opinions and to

⁴ "John Locke," *Encyclopaedia Britannica* (Chicago, 1966), 14:192.

⁵ "Civil Liberties," *Encyclopaedia Britannica*, 5:837.

utter (to *use and enjoy and dispose of*, as property) those opinions. If they are paid for a speech, an article in a periodical, or a book, they are being paid for the articulate expression of their expert (or, perhaps, merely interesting) opinion. It is absurd to suppose that they should receive payment for something that was not theirs to sell, not their property. The property lies in their opinion which is fortified and given commercial value by their expert background knowledge and their ability to express that opinion clearly and interestingly.

In the case of professorial opinions expressed in the classroom, it should be noted, many writers have emphasized that other property rights than the professor's own are involved and that these deserve protection also.

Economic Rights Derivative

I have said that so-called economic rights are neither economic nor are they rights. There are no economic rights as such; all rights are political rights. The freedom to engage in any type of enterprise, to produce, to own and control property, to buy and sell on the free market, is derived from the rights to life, liberty, and property, together with the *pursuit* of happiness, which are stated in the Declaration of Inde-

pendence as self-evident truths and are hypostatized and secured by the Constitution. When a government guarantees a "right" to an education or parity on farm products or a guaranteed annual income, it is staking a claim on the property of one group of citizens for the sake of another group. In short, it is violating one of the fundamental rights it was instituted to protect.

To the extent that one citizen must labor involuntarily for the benefit of another citizen, he has lost his liberty and has been subjected to involuntary servitude. To the extent that income which the producing citizen would otherwise invest in capital is diverted to the propping up of a nonproducing or marginally producing citizen, that money is wasted. It is spent rather than invested, and it teaches the citizen who receives the dubious benefit to be dependent upon government. Still worse, perhaps, is the fact that the recipient of largesse from an anonymous, monolithic, endlessly wealthy state loses sight of his real benefactor — the producing citizen. Neither that recipient nor the government is concerned about the use to which the producer would have put his money if allowed to keep it. One thing seems certain: he would have invested his money (whether by means of a bank, the stock mar-

ket, or otherwise) in a capital pool, where it would have been used to create additional wealth.

The Corruption of Terms

One of the most important means used by the enemies of freedom to bring down our institutions is the corruption of the meanings of words and hence of the concepts for which those words are symbols. These institutions, including that of private property rights, are very dear to the American people and so they must be attacked by indirection. Instead of attacking property rights as here correctly defined and explained, the socialists and other statisticians use the word *property* in a diminished sense, although they are careful not to define it. Its meaning is thus attenuated, hedged, and qualified, until it seems to represent merely real and personal property of a considerable magnitude.

The mental image is created of a Croesus on the one hand, living in the lap of luxury with a train of servants at hand to attend to his every want; and of an indigent person on the other hand, probably living in a hovel and working in a sweat-shop, if employed at all, for a mere subsistence. The mental image thus created is meant to arouse our sympathy and to obscure questions as to *why* one is

wealthy and another poor. It is also meant to obscure the fact that, unless wealth honestly gained is protected from confiscation, anything gained by the poor will be equally subject to confiscation; and equality will be achieved only in want and slavery.

Surely, those who say that "human rights are more precious than property rights" cannot mean by *property* a man's life or a mere subsistence, such as the food a man eats, the clothes on his back, and the hovel in which he may live. They must, therefore, mean that wealth which a producer has *created* in excess of his personal consumption. But it has been shown that such wealth comes into being only as a result of a particular producer's efforts, is not acquired at the expense of nonproducers or the marginal producers, and actually benefits the latter (who receive far more than their manual labor contributes to the product). Thus, the communists, socialists, and other statisticians set up a diminished idea of property, *i.e.*, great wealth, as a straw man by means of whose defeat they intend to destroy all property rights, which means all rights.

The communists, socialists, and other statisticians have been aided in this endeavor to corrupt the meanings of words by Americans who do not define their terms and do

not insist that others define *their* terms. I do not imply that such Americans are communists or socialists or have impure motives. I cannot read motives. But I am able to see the effects of certain expressions and acts; it is acts, after all, which are able to injure and destroy, not motivations as such. I merely offer my opinion that those Americans who permit this corrupted idea of property to be foisted upon them make the task of the socialists much easier to accomplish. They are like the home-owner who leaves his house and does not lock his doors and windows to bar the entrance of burglars. They do not guard the doors to their minds by questioning the meanings of words and concepts and the logical structure of arguments. In so doing, they passively allow their minds to be filled with false concepts. Dupes are not always innocent. They are not innocent if they have not tried to protect themselves.

***The Poor Stand to Lose Most
from Attacks on Property***

Preservation of the full meaning of the word *property* will do much to preserve liberty in this land and perhaps even restore that portion of liberty which has been lost. It will do little good to talk

about property rights, unless listeners and speakers construe the word *property* in the same way. We must insist that those who talk about human rights and property rights define their terms, and we must not deceive our listeners by our use of the word *property*. If we permit the degradation of this word to mean nothing more than great wealth, we may as well speak no more of property rights; only the wealthy will listen. We need to show the inseparable link between the right to property, even to great wealth, and the rights to life and liberty. We must demonstrate that production is the *creation* of wealth and that the only expropriators are criminals and unlimited governments. An attack upon private property rights is not merely an attack upon material objects divorced from human owners; it is an attack upon the owners. It is an attack upon production and creativity. It is an attack upon the right to use one's mental and physical faculties (are you professors and reporters and artists listening?) It is an attack upon one's right to act. It is an attack upon the right of the propertyless to dream, plan, and work for a brighter day. It is an attack upon one's right to live — as a free man.



CLARENCE B. CARSON

Throttling the Railroads

3

The Thrust to Regulation

THE COURTSHIP of the railroads by government ended rather abruptly in the 1870's. Not only were the governmental favors reduced or shut off but governments began to turn their energies to regulating, controlling, restricting, and containing the railroads. True, there had been some opposition to railroads from the beginning which resulted in some restrictive legislation: there were early fears that the human body could not withstand such tremendous speeds as 15 to 20 miles per hour; farmers' fields were sometimes ignited by sparks from train engines; cattle owners resented

the threat the moving steam engine posed to their herds; and some people resented the trains running on Sunday. Some states passed fencing laws, and some communities would not allow trains to pass through on the Sabbath.

But, in the main, the people of the United States wanted railroads, and their governments responded by offering various aids and inducements to railroad building, as has been shown. The policies began a major shift in the 1870's, and they were probably accelerated by the *Crédit Mobilier* exposures. Communities still wanted railroad service, but they turned from inducement to compulsion to get it. In the course of time, railroads became, in the eyes of some, Public Enemy Number One.

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What brought on this about-face? Did railroad rates skyrocket once the public's dependence on this mode of transportation was established? Was service refused to some and reduced to others? Did the railroads cease improving their equipment once they were built? Did the railroads fail to expand markets, to bring goods at competitive prices from distant points, or provide a world market for American farm produce?

Performing a Service

In general, each of these questions must be answered in the negative. A survey of the situation in the latter part of the nineteenth century — the period when the clamor for government intervention was mounting but before such control had been generally instituted — provides impressive evidence of the benefits of the railroads to the American public. Despite the great handicaps under which many of the railroads had been or were being built and operated — such handicaps as heavy indebtedness, haphazard construction fostered by fickle legislation, overbuilding promoted by political expedience, the invitation that government aid and the possibilities of suborning legislatures offered to sharp operators, the technological difficulties of a new means of transportation,

the immensity of America and the unfriendliness of much of its terrain and weather — almost all indications are that the railroads were doing a good job.

Energetic entrepreneurs put together great railroad systems out of the hodgepodge of short lines that had been built, linking great cities and providing far-flung services for the hinterlands. So it was with such systems as the Pennsylvania, New York Central, Southern, Chicago, Burlington, and Quincy, Atchison, Topeka, and Santa Fe. James J. Hill wrought the Great Northern with private funds and succeeded in competition with the heavily subsidized Northern Pacific.

Railroad equipment was improved as new technology became available, and service was usually bettered by these improvements. Steel rails replaced wood and iron; flanges were placed on wheels rather than on the rails; passenger coaches with aisles down the middle became standard; sleeping cars were introduced and steadily improved; air brakes and signaling devices added greatly to the safety of the railroads. Interchange arrangements were frequently worked out with other shippers, though initially railroads were sometimes chary of co-operating with one another. The railroads were the instigators of

a standard time within time zones for the whole United States, a system that was much later prescribed by the Federal government. That privately-owned railroads were generally improving the quality and extent of their service should be beyond doubt.

Rail Rates Were Declining

As far as rail rates were concerned, they usually declined from the 1870's to the early twentieth century. Only in three years — 1878, 1880, and 1883 — was there a counter movement in freight rates. In 1868, the average railway revenue per ton mile was over 1.9 cents; by 1900, this had been reduced to only a little more than .7 cents.¹ Of the benefits of the railroad to wheat farmers in opening up markets to them, one book has this information: "Mr. Edward Atkinson has estimated at 66 cents the saving effected from 1873 to 1887 in the cost of growing a bushel of wheat in the United States, carrying it 1,200 to 1,500 miles by rail, and by lake and rail, to the Atlantic seaboard and thence by vessel to Liverpool. Not less than 50 per cent of that saving Mr. Atkinson attributed to the reduction made in the charge

for carrying the wheat to the Atlantic, 25 per cent to the reduction in the charges for ocean transportation, and only 10 per cent to the reduction brought about in the cost of planting and harvesting."² Andrew Carnegie was, in part, remarking the marvelous impact of the railroad, when he said: "To make a ton of steel one and a half tons of iron stone has to be mined, transported by rail a hundred miles to the lakes, carried by boat hundreds of miles, transferred to cars, transported by rail one hundred and fifty miles to Pittsburgh. . . . How then could steel be manufactured and sold without loss at three pounds for two cents? This, I confess, seemed to me incredible . . . but it was so."³

Of course, the greatest benefits from rail service went to consumers, both domestic and foreign — that is, to virtually everyone. Americans quickly became accustomed to having on the shelves of their stores products from all over America and from much of the rest of the world. They not only could have them with great predictability, but they could also have them much cheaper than ever before in the latter part of

¹ Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin, 1965, 2nd ed.), p. 334.

² Hugo R. Meyer, *Government Regulation of Railway Rates* (New York: Macmillan, 1906), pp. 212-13.

³ Fite and Reese, *op. cit.*, p. 294.

the nineteenth century. The decline in rail rates was measured by the consumer in the general decline of prices, a decline that was sometimes absolute and at others relative to wages.

Why, then, was the political power of the state and Federal governments turned against the railroads? That power is traced from and responsible to the American people. And, the American people were surely the beneficiaries of the railroads. The explanation is that some portion of the American people did not see it or understand it this way, that they had come to view the matter from other angles than their common interest as consumers. Much underlay the thrust to regulation, but what was involved can be reduced to and treated under five headings.

1. Opposition to Big Business

The railroads were among the first large corporations in the United States. In the 1870's several had or were to become giants, doing business across the lines of several states or territories and extending their tracks over whole regions. These great corporations owned thousands (or even millions) of acres of land, numerous freight and passenger stations, thousands of miles of track, and thousands of pieces of rolling

stock. They frequently bought out smaller railroads and extended their facilities into new areas or covered more fully the old. By cooperation with one another the railroads were providing nationwide transportation facilities, and in their wake other businesses became nationwide, spearheaded by Standard Oil.

Americans have long been ambiguous in their attitudes toward and treatment of big businesses. They have patronized them, else they would not have become big businesses. Those who live in towns or cities where corporations are headquartered take pride in their edifices and the number employed is often a local boast. Men seek employment with large corporations, for they observe that pay is better and jobs more secure. Yet, Americans often bestow their vote on those who claim that they will bring the corporations to heel, who describe them as irresponsible leviathans which must be regulated and controlled, who engage in antibusiness demagoguery. A double standard of behavior when applied to economic and political realms appears to be involved.

A part of this animosity toward big business can most likely be ascribed to just plain human cussedness. People quite often like to think of the mighty being brought

low, are jealous of the successful, and behave inconsistently and irresponsibly at the ballot box. (Where is there a greater lure to irresponsible behavior than in voting? Men may vote for the demagogue who appeals most breathlessly to their prejudices and then denounce politicians for their inconstancy and venality.) Moreover, people are apt to be suspicious of anything large, removed from their direct surveillance, and whose workings they do not understand. Thus, they are ready enough, in the main, to believe the worst of large businesses.

All Industries Affected

The opposition to and fear of the railroads did, however, have a particular historical setting. The growth of large railroad corporations was paralleled by the growth of other large businesses. In the last two decades or so of the nineteenth century, it appeared, or could be made to appear, that consolidation was leading toward the domination of whole industries by single companies. While this did not immediately portend for the railways, a similar result might be achieved by pooling, or so it was feared. Nationwide industries were something which Americans had not yet much experienced. Would energetic companies squeeze out all competitors and be in posi-

tion to practice extortion on the American people? That such a view did not take into account the exigencies of business, the potential role of competitors in the free market, or what it would be most profitable for a business to do, does not mean that it could not be believed. What would happen in most industries would be that once one company had shown how to provide goods or services on a nationwide scale others soundly financed and well managed would follow in their path. So it happened in the oil industry, and many another.

Meanwhile, critics turned the searchlight on the railway industry and found in their practices — whether innocent or not so innocent but, whichever, determinedly misunderstood — dangers to the republic and potentialities for spreading evil. Traffic associations and pools would permit the railroads to act monopolistically. Rate differentials between large and small shippers were prejudicial to the “little man.” The railroads issued many free passes, and these were described as efforts to suborn public leaders and officials. Railroads sometimes “discriminated” by charging more for a short haul than for a long haul. Even competition, when it resulted in lowering of rates, was frequently described as ruinous and dangerous.

Examination into the basis of railway practices will be taken up later, but the point here is that they were described in such a way that some came to think of the railroads as a menace to be contained.

2. *The Ambiguous Legal Status*

The railroads have paid, and continue to pay, an excessively extortionate price for the early favors received from governments and, what is more to the point, so have and do the shipping and traveling and consuming public. This latter point needs to be kept ever in mind. Governmental agents can conceive of all sorts of devices by which to penalize and constrain railroads, but they have hit upon none, to my knowledge, which have not been passed on in one way or another to the public. Even so, governments have beset the railroads with all sort of taxes, regulations, restrictions, and controls. The bases for part of these were the favors granted and for much of the rest the ambiguous status that these confirmed.

The railroads were bred in legal ambiguity, developed in limbo, and have languished in a maze of regulation and restriction which was issued on the basis of this dubious status. Law in the United States, with the exception of Louisiana, is a combination of the

common law — that is, English practice, immemorial custom, precedents set by judicial decision — and legislative enactments. In the absence of specific constitutional provision and subsequent legislative enactment, the common law generally prevails. The common law is itself a wondrous maze of judicial decisions reaching back to the dim English past and threading through the centuries in any particular matter amidst changing cultural patterns. It embraces both relics of feudal serfdom and modern contractual relations of free men.

Railroads were chartered as corporations. The corporation arose as a medieval device by which various groups were authorized and granted privileges and immunities. Its most obvious use was the chartering of towns and communities as political units, a practice continued by the states in America. Corporations were, then, governmental or semigovernmental in character. Railroad corporations had some of the residues of this governmental character, since they could, under court supervision, exercise the power of eminent domain. The getting of a charter involved the tacit or explicit acknowledgment of the authority of the sovereign — in this case, the state — to lay down rules for the operation of the corpora-

tion. The charters of railroads usually either spelled out such rules or reserved the privilege to regulate rates, and so forth. Historically, charters had frequently been given for such undertakings as bridges and roads. The public was said to have a special interest in these; they often had monopolies; and their fees were subject to supervision.

The public or private status of the railroads was further confused by aids granted for their building. That railroads should receive land grants, use the credit of government, or be subsidized certainly implied that they had a different public character from that of, say, farms.

The railroads, it turned out, were not thoroughfares, not necessarily nor particularly monopolies, nor once they were finished with the power of eminent domain were they governmental. A doctrine was exhumed from the past to define their legal status. It is the doctrine, as we know it, that they are common carriers. This doctrine has its roots in the Middle Ages in the notion that certain sorts of undertakings are common callings. As one writer describes the matter, "For some reason that is not entirely clear certain of these common callings, including the services of innkeepers, wharfingers, ferrymen, and carriers were sin-

gled out for special consideration by the courts, and a body of court decisions grew up limiting the freedom of action of individuals engaged in these businesses."⁴ The common carrier doctrine as it took shape required those who undertook to serve in this capacity to serve all comers on equal terms and at reasonable rates, among other things. (There were, of course, protective limits to the service that had to be provided.) The implicit serfdom here is appropriate to the time of its origins and helps to account for some of the resentment customers of the railroads encounter from personnel. Americans, at least, do not like to be made to serve, but welcome the opportunity when they are free to do so or not.

Mercantilistic Vestiges

The stage was set for bringing these medieval relics into play by the acts of incorporation and aids granted to the railroads. Even so, they might have been permitted to continue to atrophy, as they were for a time. From the early years of railroad building into the 1870's the tendency in the United States was away from medieval and mercantilistic practices toward full-fledged private property in provi-

⁴ Russell E. Westmeyer, *Economics of Transportation* (Englewood Cliffs: Prentice-Hall, 1952), p. 94.

sion of goods and services, toward competition and away from chartered monopolies, toward allowing prices to be set in the free market, toward making the privileges of incorporation available to all by general acts of legislatures. Railroad historians generally agree that states did not much exercise their powers of regulation and that when they early attempted to do so they either abandoned the attempts or did not pursue them vigorously. With the abandonment of extensive aid in the 1870's, the railroads might have become fully the private property of their owners to use as they saw fit, subject only to general laws and such specific ones as might be necessary for public safety. In the 1880's the Supreme Court confirmed this direction by declaring that corporate property was property in the meaning of the Fourteenth Amendment and protected by it.

Once the hue and cry was raised against the railroads, the relics in the common law served as a basis for regulation. The charges against the railroads acquired much of their force from the supposed public character of the roads. What the railroads charged and the service they provided would be only the affair of contracting parties if they were fully private; if they were semipublic

(or however it should be described), their charges would be of public interest and might be publicly determined. When the Supreme Court decided in the 1880's that the so-called Granger laws regulating railroads were invalid for interstate shipments, an additional basis for regulation was supplied by the commerce clause of the United States Constitution. None of these laws or precedents or constitutional provisions caused the regulation of the railroads; instead, they served as a legal basis for the action and added impetus to the thrust to regulation by supporting the notion that railroad practices were of public concern.

3. Political Face Saving

It became politically advantageous to be against the railroads in the latter part of the nineteenth century. This did not come about so much at first because of public opposition to the railroads as because of public distrust of politicians. For several decades scandal after scandal occurred as a result of government grants to railroads. The culmination came nationally with the Credit Mobilier revelations, which were associated with other scandals of the Grant Administration as well as those of Reconstruction state and local governments. Politics and politicians

were very nearly discredited for many Americans. How deeply politicians became mired in scandal is illustrated by this example from Wisconsin in the 1850's involving a projected railroad:

With eight exceptions — those who were to benefit in other ways — each legislator who voted for the bill received a package containing the promised amount of La Crosse and Milwaukee securities. A few who had rendered special services, such as Senator Hadley and Assemblyman Falvey, received more than their colleagues. In addition, the comptroller, the lieutenant-governor, the chief and assistant clerks of the Assembly, and the governor's private secretary also received five or ten thousand dollars in securities. Kilbourn had a package of ten thousand dollars worth of bonds prepared for Judge Abram D. Smith of the Supreme Court, and Governor Bashford got fifty thousand dollars worth. The two senators and twelve assemblymen who did not vote received no package. Six senators and seven assemblymen refused the bonds and voted against the bill.⁵

Such scandals not only reflected on the individuals involved but upon the profession of politician itself.

Much of the public ire was turned on the politicians initially, though of course the bribers were

guilty along with the bribed. The "scoundrels" were sometimes turned out of office wholesale in states. Constitutions were adopted which greatly restricted state grants and aids to businesses. Legislative acts sometimes doubled the penalties for bribery when committed by public officials.

But there was another route politicians could take to save face and reclaim some public respect. It was to shift the onus from politics to business, to expose businessmen as malefactors and reveal politicians as guardian angels. Possibly, no one thought it out in such all encompassing fashion. In fact, however, such a shift did occur. What an individual politician could do would be to vote against the railroads and establish his innocence of bribery. A vote to contain, obstruct, and restrict big business could be worn as a badge of innocence.

4. Interest Group Support

The thrust to regulation gained ground by focusing attention on the impact of the railroads on particular groups, locales, and regions rather than upon the general interest — i. e., that of consumers. Group was ranged against group, interest against interest, community against community, and region against region. Historians have often written as if the situation

⁵ Robert S. Hunt, *Law and Locomotives* (Madison: State Historical Society of Wisconsin, 1958), p. 14.

were one in the latter part of the nineteenth century in which the railroads were pitted against the general welfare of the United States. This is nonsense; the already indicated benefits to consumers proves the contrary. Nor were big businesses pitted in class array against the general welfare. They were much more apt to be pitted against one another in ways beneficial to the rest of the country; anyone who will take off the Marxian blinders can ascertain this for himself.

But to say that railroads benefited everyone as consumers is not to say that all were benefited equally, and they certainly did not benefit all producers and distributors and communities equally. There was the rub! When the railroads were being built, the merchants, manufacturers, farmers, and the people of an area in general had great hopes for what the railroad would do for them. Those in small communities had visions that their villages would become trading centers, manufacturing and mining centers, centers of art and culture, and even great cities. One railroad historian describes the spread of such notions this way:

The inception and progress of the [railroad] fever came in time to have a pattern. First, some up-and-com-

ing individual, or simply a fanatical dreamer, said forcibly that what his home town of Brownsville needed, if it were to share in America's great destiny, was a steam railroad. He talked the idea to anyone in Brownsville who would listen or could not get away, and the more he talked . . . , the better the idea seemed to him. It grew and blossomed and burgeoned and even soared. . . . It also dripped with gold, gold for all of Brownsville, soon to be a mighty metropolis, teeming with commerce, with industry, with the stir and bustle of countless travelers.⁹

Impossible Dreams

Such dreams did sometimes become realities. Some villages did become metropolises, aided by the railroad. One could name, off hand, Chicago, Denver, St. Paul, Atlanta, Kansas City, and Fort Worth. But for most of them it was an impossible dream. The railroad was built through the town, but it remained what it was before—a small town. The fault, it was alleged, lay with railroad practices, particularly the differential in rates to localities. If Social Circle, Georgia, could have the same rate from New York as Atlanta (such a case was once heard), it, too, might become a great trading center.

⁹ Stewart H. Holbrook, *The Story of American Railroads* (New York: Crown, 1947), p. 40.

Small towns were not the only ones in which there was interest in manipulating rates to local advantage. New York City exporters wanted to maintain their favorable position in relation to other eastern ports. Eastern ports wanted as good or better rates from the railroads for midwestern produce as Gulf ports. An early study of the cases brought before the Interstate Commerce Commission indicates that in case after case it was business interests within communities ranged against the railroads. The author concluded that "in most of the cases brought before the Commission the conflict has not been between the railways and the people, but between one section of the public and another section of the public, each such section being served by its particular railway or railways."⁷ The railroads were, of course, caught in the middle. Generations of historians have taught that it was railroad discrimination against poor western farmers that produced the Granger laws. Recently, a historian has rediscovered the fact that proposals for rate-law reforms, "sponsored for the most part by merchants and businessmen, can scarcely be interpreted as agrarian attacks upon the business community. On the contrary, they were designed to

protect vested commercial interests. . . ."⁸ Or, I might add, to promote certain commercial interests.

A new order of political priorities existed, then, once the railroads were largely built. When railroads were being projected, the politician's advantage lay with getting railroads built into the area where his constituents lived. Once the railroads were built, the pressure was on the politician to use political power to secure an advantage for his constituents from the railroads. If only one reason could be given for the thrust to regulation, this would be it.

5. Socialist Ideas

However, it is doubtful that local chambers of commerce, special interests of local producers and distributors, or communities ranged against one another could have brought off and maintained the sustained political assault on the railroads. They would need allies, and they got them. After all, the quest of businessmen for special advantage is easily unmasked as vulgar self-interest. Any political cause that is advanced for a considerable period of time requires a rhetoric which

⁸ George H. Miller, "Origins of the Iowa Granger Law," in Harry N. Scheiber, ed., *United States Economic History* (New York: Alfred A. Knopf, 1964), p. 311.

⁷ Meyer, *op. cit.*, p. 337.

will give it the ring of nobility. The rhetoric for this cause was provided by socialism.

Socialists could, and did, link together the various thrusts and provide ideological foundations for them. Socialists were at the forefront of those denouncing big business. Marx, and others, had proclaimed that businesses would grow bigger and bigger until all competition had been extinguished. Despite the brave progressive talk, socialism contains a large measure of nostalgia for medieval practices in which property was not quite private; hence, it could and did subsume such doctrines as that of a common calling. Socialists read the whole conflict in terms of class conflict, gave politicians a rhetoric, and allowed them to appear noble when they advanced the special interests of their constituents, or tried to do so. Above all, socialism provided the egalitarian emphasis in terms of which railroad practices appeared to be unfair.

How socialism entered the stream of American politics is too complicated and abstruse to be told in detail here. Tiny socialist groups were being organized by the 1870's. Socialist ideas informed such labor organizations as the Knights of Labor. The Grange and the Farmer's Alliance at least provided organizations within which the ideas could be

spread. Third parties, such as the Greenbackers and the Populists, were definitely under the influence of socialist ideas. Various intellectuals, utopians, and reformers helped to give voice to ideas drawn from socialism. From these varied sources they came to influence American political action.

Railroads Used as Scapegoats in Latter Nineteenth Century

The railroads were the leading villain of radicals in the latter part of the nineteenth century. The following is an indictment of them by a man who frequently lectured for the National Farmer's Alliance. He said that "the railroads are now menacing the peace and prosperity of the country in a far more grave and dangerous manner than was thought of by the people a half-century ago. Their power to centralize population, to control the commerce of the country, to build up a city or tear it down, to prosper one businessman and ruin another, to control legislatures and Congress, to pack courts, is what the people have come to fear."⁹

Senator William Peffer described the situation of the farmer in this way in 1891:

⁹ N. B. Ashby, "Transportation," in Irwin Unger, ed., *Populism: Nostalgic or Progressive* (The Berkeley Series, 1964), p. 27.

... The railroad builder took the initiative. Close by his side was the money changer. The first took possession of the land, the other took possession of the farmer. One compelled the settler to pay the price fixed upon the railroad lands by the railroad; the other compelled the settler on the public lands within the grant to pay the increased price, and to borrow money through him to make the payments on both. This system continued until the farmer, accommodating himself to prevailing conditions, was in the hands of his destroyers.¹⁰

General James B. Weaver, Populist candidate for President in 1892, belabored the railroads in this fashion:

In their delirium of greed the managers of our transportation systems disregard both private right and public welfare. Today they will combine and bankrupt their weak rivals, and by the expenditure of a trifling sum possess themselves of properties which cost the outlay of millions. Tomorrow they will capitalize their booty for five times the cost, issue their bonds, and proceed to levy tariffs upon the people to pay dividends upon the fraud.¹¹

¹⁰ Quoted in Vincent P. De Santis, *et al.*, *America Past and Present* (Boston: Allyn and Bacon, 1968), II, 185.

¹¹ Thomas A. Bailey, ed., *The American Spirit* (Boston: D. C. Heath, 1963), II, 520.

The doings of certain railroad financiers have long been the stock-in-trade stories of reformers. Here is Thomas E. Watson, another Populist, declaiming against Collis P. Huntington and Leland Stanford for allegedly taking funds from their company for nefarious ends:

It's not all they took, by a jug full.

At this good hour Huntington, instead of being behind the bars as a convicted thief, is one of the Grandees of Plutocracy, and Stanford, instead of being in jail, is in the United States Senate!

Of course, had these men stolen a bunch of cattle, they would have been shot down without ceremony....

But they showed better judgment.

They stole enough to buy Judges, corrupt Legislators, and muzzle the Press.¹²

Those who would use governmental power to control the railroads, then, took the attention away from the benefits of the railroads to focus upon railroad practices. In order to evaluate their charges and the potentialities for harm in the fears they raised, it will be helpful to examine into the economics of railroading. This will provide a basis, also, from which to explore the impact of intervention.

¹² Paul Glad, ed., *The Process of American History* (Englewood Cliffs: Prentice-Hall, 1969), p. 144.





JUDY ANNE HEADLEE

Patriotism:

TO BE OR NOT TO BE

"THE FLAG IS DEAD!" exult moratorium demonstrators, and teachers and school administrators shake their heads knowingly.

"We must blame American traditions and morality," conclude the educators, "for goading the youth into resistance. In an age of international peace-seeking and social liberality, patriotism is obsolete."

Oddly enough, the more the academicians denounce prayer and pledges of allegiance, the more they compound the problem of student violence. Like sage Socrates, who was excessively wise yet could not, in his wisdom, control Xanthippe, they fail to approach their own problems directly. They fail to realize that unrest among students has not been caused by unreasonable authoritarian demands for loyalty, but by the gradual removal, over the past two

or three decades, of demands for loyalty from the curriculum.

The roots of the problem reach back to the time in American history when the emancipation of women and urban mobility, among other things, caused the home to relinquish much of its control over the morals and ideals of youngsters. The unhappy recipients of this misplaced moral responsibility were, of course, the schools. Zealously trying to be objective and academic in the spiritual as well as the factual realms of knowledge, many teachers demonstrated a haughty distaste for their roles as guardians of American morals. They began to stress the basic irrationality of teaching respect for family, self, country, and God. From there they proceeded to the assertion that the latter values are contrary to the principles of universal peace and interracial understanding — prin-

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ciples basic to the assumption that love of self and country must be replaced by an all-consuming love for one's fellow men at large.

A typical expression of this educational "humanism" can be found in the writings of Urban Whitaker, a coordinator of education at San Francisco State College and a one-time trustee of the San Bruno Elementary School District. Whitaker speaks of the need to "seek to de-emphasize the narrower emotions of nationalism in favor of a more humanistic world view." In discussing the "narrower emotions of nationalism" he continues,

Perhaps the leading example on the emotional side today is the pledge of allegiance. Allegiance to the United States of America — one country among more than 130 in the world — is not taught as a reasonable thing. Nor is it taught in a reasonable way. But it is taught in every class, every day, of every child's public school training. We are *indoctrinating* our children to believe, emotionally rather than rationally, that it is good, right, and patriotic to place the interests of Americans, who are only six per cent of the world's peoples and already fantastically better off in material welfare than all the others, above the interests of humankind in general. Such a proposition is . . . downright dangerous.¹

Faith Essential to Stability

At this point we will ask Mr. Whitaker and his fellow administrators exactly what is so dangerously irrational about nationalistic self-interest, and, to whom is it dangerous? Nowhere has it been proven that patriotic devotion to the interests of one country generates denial of "the interests of humankind in general." To suggest that such a denial is inevitable is as absurd as to suggest that the love of a man for a particular woman is inimical to his ability to love his fellow man. And, romantic love is not more basic to human nature than religious love or patriotic love.

In fact, patriotism is much akin to religious faith. Like religious faith it can be logically discounted, yet is totally necessary to man's sense of direction, integrity, and belief that he is a significant integer in a larger scheme of spiritual good. We can say that godliness and loyalty, and an apprehension of right and wrong, are not only abstract, but also entirely relative to the time and place in which one lives. We cannot say, however, that right and loyalty do not, therefore, exist as definable qualities — definable, that is, in terms of the nonabstract human organism. In other words, "right" can be defined as that which preserves the social stability of the

¹ Urban Whitaker, "War/Peace: The Magic Formula," *California Elementary Administrator*, 31, May-June, 1968, p. 21.

organism, and "wrong" is that which destroys such stability. Any organism must develop those attributes needed to defend and preserve itself. The human organism, being gregarious, must, to preserve itself and its integrity, also preserve the society of which it is a part. In these terms, loyalty to society, and to one's nation, are "right," while immorality, treachery, and atheism are "wrong."

Psychological Moorings

If we still doubt that national allegiance is rational, we can turn to psychology for reassurance. Erich Fromm, noted psychologist and philosopher, in his book, *Man for Himself*, suggests not only that man needs faith, but also that he cannot live without it. "Devotion to an aim [such as success or prestige], an idea, or a power transcending man such as God," asserts Fromm, "is an expression of [man's] need for completeness in the process of living." That is, the healthy, mentally stable person is the person who loves himself enough to want to preserve himself, and, in preserving himself, relates to his immediate environment with love, responsibility, and loyalty. Because that person can know and love himself, he can also know what is good for him. Because that person can know and love himself, he can also know

what is good and moral for others. Because he needs to be loyal to himself in order to gain a sense of identity, he also needs to be loyal to others in order to develop that sense of identity. In other words, patriotism gives each individual the pride of self-identification which is vitally necessary if his mind is to be healthy and productive.

Of course, a certain sense of identity can also be gained through the development of universal understanding. There is no reason to doubt that the liberal ideal of world unity and universal love is reasonable. Man must link himself to his fellows with interest and compassion, knowing that life is essentially not a drama of the hunter and the hunted, but a complex of interpersonal relationships. Even so, world unity cannot come by discounting national unity. National unity is the first step toward world unity, just as a child's first step toward love of others is love of his mother. The child's ability to love grows outward from himself, its spiral including more and more people and objects that he encounters in his environment. If this spiraling growth is arrested or interrupted, he becomes prone to crippling doubt and mental disruption.

Many American youths who, doubting the integrity of the

United States, stage violent demonstrations, are suffering from a disruption in the growth of their ability to love. Un-American and atheistic societal elements have persuaded them that they can and must eliminate the milestones of loyalty to God and country which lead to universal love. Missing these milestones, they suddenly feel as if they have no country, or that their country has done them some grave injustice. Brazenly rocketing toward the desirable ideal of world unity, yet out of the path which goes toward that objective, they are, essentially, lost in space.

Sudden Changes and Breakdowns

The fact that so many youths are irretrievably lost, and the fact that patriotism is at such a low ebb in this country, is indicative of the sickness that besets civilization when it changes too rapidly, or embraces change for the sake of change. Our civilized mentors, our teachers, tend to feel that nationalistic observances are "cultural lags" which harken back to a primitive, inferior way of living. Yet, the realization that the new lack of nationalism has not improved our ways of living should suggest to them that they have tried to overthrow a life-style that really enhances, rather than retards, our collective well-being.

Certainly the need has not passed for formal observances, however much like primitive tribal ceremonies, to discipline the youth to fight bravely and proudly. Loyalty is as much a discipline as it is a subjective bond. The instilling of a belief in national unity as a possible and positive good is a necessary exercise for the channeling of youthful inquiry into fruitful fields of endeavor. Through such discipline, the loyalties of young people will become increasingly complex, spiraling outward from neighborhood to state, state to nation, nation to the world, and becoming true, solidly-based, and mature bonds of unification.

Yet, even if patriotic discipline were unnecessary to develop world loyalty, patriotism would be the only cause championed by a particular group of people which could successfully transcend the barriers of race, religion, and political party in this country. For these barriers are immediate and, it is widely asserted, peculiar to this nation, and can only be prevented from becoming extreme by the presence of another cause which is also peculiar to the nation and ultimately responsive to the needs of the people. Love of men in general cannot meet local needs or tear down local barriers, because loyalty and love are, at best,

abstractly and vaguely understood when conceived of in general terms, or on a large scale. In order to become meaningful and to inspire positive action, motivation, and interest, abstract emotions must be particularized. They must be directed toward a symbol or body, that is, a person, a flag, or a coat of arms.

Indeed, human nature has always found it necessary to particularize and symbolize its highest ideals with idols, monuments, medals, and other material objects — objects which man can fashion and improve with his intellect and his artistry to rival all other objects in his environment. Perhaps this need to translate the abstract into the concrete accounts for man's inability to face death with confidence. For even a man who believes in a heavenly afterlife can be afraid of dying. Why? Because life in a realm of universal beneficence and beauty is not totally attractive to the human spirit. Man, with his competitive nature, is only attracted where his realm can be thought to be better than another's, or where he can work to make it better. The person who does not feel that his surroundings can be improved through his own efforts is rootless indeed, and probably suffers from frustration and suicidal impulses.

And all too many people in this country do suffer from frustration and despair, having been deprived of the knowledge that patriotism is rational, logical, and psychologically necessary. But if satisfaction of basic human needs is not desirable enough to engage the dissatisfied American, there is much more to be gained from patriotism. National loyalty is, in a sense, an invaluable "social security" system, which, in return for active interest and allegiance, provides positive benefits to the investor. That is, a nation, with the support of its people, can furnish the benefits of public education and of equal protection of the law. Such advantages cannot be provided unless they are based upon the common interest, and belief in the common good, of the people. Without the confident support of the people, public education becomes private indoctrination, and the protection of the law becomes autocratic control.

Emotional Rewards

But patriotism's good points are not all couched in direct benefits and mental gratuities. The real advantage of national observances lies in their emotional rewards. Of course, the detractors, the Urban Whitakers, insist that it is the subjective, emotional quality of allegiance that is its weakness. A

brief study of the history of civilization, however, might suggest to them that the most enduring aspects of civilized life have been, in essence, subjective. The legal and political records of Ancient Greece are historically interesting, but hardly memorable. Yet we do recall the poetic triumphs of the Greek poets, including Sophocles' ode to mankind:

Many are the wonders of the world,
And none so wonderful as Man.
Over the waters wan
His storm-vested bark he steers,
While the fierce billows break
Round his path, and o'er his head:

So soaring far past hope,
The wise inventiveness of man
Finds diverse issues, good and ill:
If from their course he wrests
The firm foundations of the state,
Laws, and the justice he is sworn
to keep,
High in the city, citiless I
deem him,
Dealing with baseness: overbold,
May he my hearth avoid,
Nor let my thoughts with his, who
does such deeds, agree!²

Like poetic sentiment, patriotism is feeling — feeling that is both controlled and directed. It is a complex love of men, landscapes, ideals, and ways of living that does not limit the mind, but di-

rects it toward making faith a reality. In other words, the patriot loves his way of life enough that, wherever faults exist in it, he has reason to want to correct those faults.

When nationalism, thus, becomes a sentiment that expands the intellect and ennobles the soul, it also contributes to the cultural progress of civilization. Many of the world's greatest acts of heroism and works of skill have been accomplished for nationalistic reasons. The Greek Classical Age and the Elizabethan Age were two of the most patriotic periods in history. These ages, during which there was tremendous concern with idealism, honor, and what was "right," were also the most vibrant, the most creative, and the most culturally productive ages in the history of mankind. Shakespeare, the greatest poetic genius of the English language, and the bright star of the Elizabethan Age, spoke of his nation in reverent terms:

This royal throne of kings, this
scepter'd isle,
This earth of majesty, this seat
of Mars,
This other Eden, demi-paradise,
This fortress built by Nature for
herself
Against infection and the hand
of war,
This happy breed of men, this
little world,

² From the *Antigone* by Sophocles, translated by Charles Robinson, Jr., *An Anthology of Greek Drama*, 1962, p. 112.

This precious stone set in the
silver sea,
Which serves it in the office of a
wall
Or as a moat defensive to a house,
Against the envy of less happier
lands,
This blessed plot, this earth, this
realm, this England,
This nurse, this teeming womb of
royal kings,
Fear'd by their breed and famous
by their birth,
Renowned for their deeds as far
from home,
For Christian service and true
chivalry,
As is the sepulchre in stubborn
Jewry
Of the world's ransom, blessed
Mary's Son,
This land of such dear souls, this
dear dear land,
Dear for her reputation through
the world,
Is now leased out. . . .³

Thus, historically, when men like Shakespeare have partaken of national pride, they have also believed in their own worth as human beings and have been able to put that belief to good use artistically, intellectually, and scientifically.

Ultimately, it must be concluded that only those who do not wish

a nation to prosper culturally, or to defend its integrity against an enemy, will not wish the people of that nation to be patriotic. Love of country and love of liberty are inseparable aspects of the same basic human approach to civilized life. Mature love is an extension of self that must be freely given, and cannot be adequately developed in an atmosphere of repression. Those who would take away a man's freedom are well aware that they must first take away that man's belief in the integrity and worth of those in his cultural and social complex who protect him from oppression.

We would hope that our public educators will not continue to advocate overthrow of American liberty by suppressing patriotic and moral attitudes in the schools. The study of Shakespearean literature would more surely benefit students than the consideration of the doctrine of universal love. Shakespeare pondered the "to be or not to be" question, and decided that the struggle to save his country from ruin was more desirable than a quiet death. If educators were to approach patriotism as Shakespeare did, they would know that "to be," or, to live, means to be free, and to learn to love one's country freely.

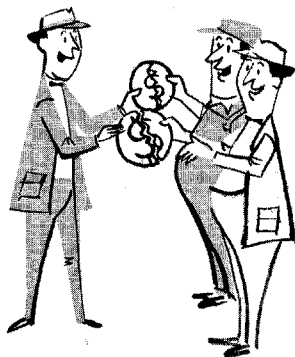
³ William Shakespeare, *Richard the Second*, II, i, 40-59.



HOW WAGES ARE DETERMINED

The Effect of Interventions

PERCY L. GREAVES, JR.



MOST PEOPLE today seem to think that producers and sellers set prices. Likewise, they seem to think that employers set wage rates. They think businessmen get rich by setting low wages for their employees and high prices for their products.

This leads many to think that employers can be compelled by law or union pressure to raise workers' wages at the expense of the owners of a business. This has been done in an increasing number of cases for a short period of time, but such wage increases cannot be maintained in the long run. Actually, it is impossible to raise every worker's wages by law or union pressure. Every law or nonmarket pressure that raises wages for some, lowers them for others.

In analyzing every economic

proposal, it is necessary to examine all of its effects, not only the short-run effects, but also the long-run effects, and not only the effects on those whom the advocates seek to benefit but also the effects on those who have to pay the costs. All of these inevitable effects should be weighed before passing judgment on any attempt to interfere with free market processes.

Freedom Permits Responsible Choices

In a free market you are free to take any of many jobs open to you. Each man takes that one which, from his point of view, he considers best. When everyone is free to do this and no one is permitted to trample on the equal freedom of others to do so, when no one or no group can prevent others from taking jobs for which they and the potential employers

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reach mutually satisfactory agreements, then the Golden Rule will prevail. More workers will be producing more goods for others and everyone will have more for himself. The result will be ever-increasing production and human satisfaction. Of course, in a free market society, men will still make mistakes. But free market practices tend to reduce such mistakes by penalizing most those who make them.

We may also have a few unfortunate people who need assistance from their fellow men. For such few cases, the free market not only encourages religious and other private charities but it also provides the means with which these charitable organizations can take care of the unfortunate. So these unfortunate few do not have to become a burden on the government. We are free to act voluntarily as good Christians and take care of our neighbors who are in trouble.

In any society, in any group of men, there will also be some who will try to help themselves at the expense of others. There will be some who wish to steal, or misrepresent, or resort to force. To protect peaceful productive citizens against those who resort to such antisocial actions, governments are necessary, and very necessary.

Consumers Determine Wage Rates

There is today a popular idea that employers exploit the workers. This fallacy has been growing ever more popular since the days of Karl Marx. It was Marx's idea that employers overworked employees, paying them much less than the money values of what they produced, while keeping the difference for themselves. According to this theory, rich employers get richer and richer while the poor workers get poorer and poorer. The time would come, Marx held, when the workers would break the chains which bound them to their employers and set up a socialist utopia. According to this idea, the poor worker is helpless in a market society. He has no choice. He must take the wage that is offered to him. There is no other employer who might bid for his services.

Actually, of course, that is not so. In the absence of any social interference, workers tend to get the full value that consumers will pay for their contribution. It is the interferences by governments and the interferences by labor unions supported by public opinion, even without the strength of laws, that prevent all potential workers from getting those market values they could contribute to society.

If the idea that unions help all

workers is popular, then we are powerless to stop them from hampering the market competition. However, in an unhampered free market economy, competition tends to allocate to every factor of production, including workers, all that each contributes. It is the values that the ultimate consumers place on each particular contribution to total production that determine what businessmen can pay for that particular contribution.

The same principles apply to the wages paid for labor that apply to the sums paid for raw materials or any other factor of production.

In a free market, each employer seeks to hire as many workers as he profitably can. He hires employees up to the point at which it is no longer profitable for him to hire an additional worker because he cannot sell the product of that additional worker for the wage he must pay him. As he hires more workers, the wage rate tends to rise and as more units are produced, the market price he can get per unit tends to fall. This is the inevitable tendency of a free and unhampered market.

The more workers you hire, the higher wage rate you will have to pay. And you must pay the higher wage to all who do similar work. As you produce and offer more goods on the market, you can only sell them at lower prices. Eventu-

ally you reach the marginal point, where you make no profit on the last man you hire. Wage rates are ultimately set by the marginal productivity of labor, that is the market value added to the product produced by the marginal employee, the last man hired. This is the way the free market would work, if there were no interferences. Unfortunately, the free market is something that we have never had completely at any time and may never have. However, the nearer we get to it, the better off we shall all be.

Given the conditions which the employer faces, he must pay workers pretty much the values that consumers place on their contributions. If the employer pays a higher wage, he suffers a loss. If he does not then reduce his wage rate, his number of employees, and his production to what he can sell at a price that covers his costs, he will eventually be forced out of business. No businessman can long pay costs which he cannot get back from consumers.

In the long run it is the consumers who pay the wages. The businessman is merely a middleman. He tries to make a profit as a middleman, buying raw materials, hiring workers, and selling the products to consumers. He makes his profit, if any, by holding what he pays for the factors of produc-

tion below what consumers will pay for the final product. However, once a profit appears, competitors continually bid up what must be paid for each factor of production, including labor. There is always a tendency in a free market for profits to be squeezed and disappear. This includes any profits obtained by paying workers wages lower than the market value of their contributions.

Free Competition Protects Workers

It cannot be denied that employers would always like to pay lower than the market wages. In *The Wealth of Nations*, published in 1776, Adam Smith mentioned that whenever businessmen get together they try to set wages and hold them down. However, in the free market, they are unable to do so. It is just not possible for all employers to get together and agree to hold wage rates down for any length of time. Once one employer finds he can profit by breaking such an agreement he will probably do so. If none breaks the agreement and if you have a free market society wherein anybody can become an employer, new employers will soon appear, to take advantage of the situation by offering workers more.

If the employer pays a wage lower than the market wage, that is less than the product of the

worker can bring in the market, his profits will be such that he can expand his production and his number of employees. If he fails to do so and fails to raise his wage rates in doing so, he will invite new competition. In either case, market competition will raise the wage rates to the value produced by the marginal employee. And there is always a marginal employee.

In most industries there are also marginal companies. These are the companies that are just breaking even. If their costs go up a little bit, they will suffer a loss. Then they will soon be out of business because money losers cannot stay in business indefinitely.

No businessman in a free market society can long pay a worker a dollar an hour and sell his product for five dollars an hour. Why not? Because you and I and thousands of others like us would be very happy to go into that business, pay those men two dollars and sell their product for five dollars if we could. Others would soon offer to pay them three dollars, four dollars, or even four-fifty. In fact, large corporations would be very happy to make profits of just two cents an hour for every worker they employ. They are just not able to pay them much less than the market value of their product. The last one

employed would not yield them any profit, particularly in a free society where anyone who thinks he sees a chance to make a profit can come in and bid away any employee who is paid less than the market value of his contribution.

The frequent refutation is, "Yes, but most people do not have the capital to start a business." Let's remember there are many savers eager to invest their money where they can earn more. If they can be shown a situation where they can earn more, they will be happy to make the needed capital available. All you need to do is to show them where a profit higher than current interest rates can be made.

Whenever there is a profit in a free market society, it attracts competition, and competition always reduces prices. This is how the market constantly allocates consumers a share of every increase or improvement in production.

Savings Raise Wages

The real secret of higher wages is increased savings per capita. Increased savings are a result of producing more than is consumed. If more goods and services are produced than consumed, then these unconsumed goods and services are available for making tools, factories, and other things needed

to help increase production. American living standards have gone up over the years because generation after generation our parents have provided their children with a better start in life than their parents had. The history of our country has largely been that the first generation of immigrants provided their children with an elementary school education, the next generation saved enough to provide their children with a high school education, and the third generation sent their children through college. Now, many are going on to graduate work. In this way, each generation provided the next generation with a higher standard of living. In each case, this higher education was the result of increased savings. The earlier generations just could not afford to provide their children with what most American children now have.

When there are savings in a capitalistic system, people do not put them under a mattress. They do not dig a hole and hide them as people do in India or China where savers are afraid that if they put up a factory, the property would be seized. No, in a capitalistic society people invest their savings where they hope they will earn a return. In a capitalistic society, savings are not accumulated by the rich only. One of the great

advantages of a capitalistic society is that low-income people can also invest their savings and earn a return on them. They can buy savings bonds. They can put their money in the savings banks. They can buy life insurance. Then, the banks and the life insurance companies make their savings available to businessmen and large corporations.

As a matter of fact, it is the low-income people who are the great creditors of our day. They are the ones who are hurt the most by low interest rates. It is largely the higher-income people who are debtors and who benefit from low interest rates. They are stockholders and their corporations borrow the money saved by low-income people. One of the great advantages of the free market system is that it provides a way for low-income people to participate in the earnings that savings provide.

Effect of New Savings

Savings are, of course, the only real source of old age security and higher living standards. When new savings are invested, the very first thing they do, whether they are invested in a new company or in an expansion of an old company, is to bid up wages and the prices of raw materials. They bid up everything that is needed to

expand production, including labor, and you cannot make anything without labor.

Labor is one of the scarcest things in this world. There are many mines that are not mined because the available supplies of labor are worth more in other occupations. The same is true of farm lands. The same is true of every occupation. Every economic endeavor is limited by the high costs of labor. Labor is always scarce. The market allocates the scarce supplies of labor to the production of those goods and services for which consumers are expected to pay the highest prices. Other goods and services are not available because of this very shortage of labor.

With new savings, there are employers or "entrepreneurs" who are constantly trying to employ more workers. They have to bid up wage rates for the limited quantities of labor available in the market place. The factor which helps labor most is the increased savings which permit employers to bid them away from their previously lower-paying jobs. After these savings are turned into new or larger factories, they must produce goods and services previously not available.

The managers of these new expansions must determine what to produce. They try to find out what

is not available that is next in importance on the value scales of consumers. They then expand the production of those things not sufficiently available that they think customers want most. They bring more production to the market. Each worker, working with more or better tools, produces more. If there has been no increase in the money supply, as more goods reach the market, the result must be lower prices. With lower prices for consumers' goods, everyone can buy more with his limited money supply. The only way that a society can raise the real wages of all its workers is to increase the amount of savings available per worker.

For example, American steel companies need an investment of some \$20,000 per worker, for workers to get the high wages they are paid. In a market economy these high wages are shared by all. The barber, who has not changed his methods very much in the last century or two, competes in the labor market with steel workers, each of whom uses about \$20,000 of equipment. Wage rates of all workers are thus set by the average savings available to help workers increase their production. These higher wages and lower prices must appear before the savers can get any of their money back, much less any inter-

est or profit on their speculative investment.

Profits may come, but they can only come later if buyers, of their own free will, decide that the new market offerings are better bargains than all other available goods and services. This is the secret of progressively higher living standards in a free market society. The secret of higher wages is more savings per available worker. A man with a modern expensive earth-moving machine can move far more earth than the strongest man using his hands or even a shovel. As more and better tools become available and as more goods are produced, there will be a higher standard of living for everyone who participates in the market economy.

Effect of Present Union Policies

Consider now the effect of present-day union policies upon our economy. The essence of labor union policies today is (1) to restrict production and (2) to prevent the unemployed, or those employed at lower wages, from improving their economic situation by underbidding union-imposed wage rates. We cannot improve the general welfare by following union policies that restrict production by making high wages higher for some workers, with the result that low wages are kept low

or nonexistent for other workers.

Whenever union workers get a raise above free market wage rates, this increase raises production costs, and as a result prices must be raised to consumers. With higher prices, fewer goods are sold. When fewer goods are sold, some of the workers are laid off and the laid-off workers must then compete for the lower-paying jobs. Their competition in these next lower-paying jobs drives some previously employed workers out of jobs. This forces their wage opportunities still lower. Such policies restrict production and keep men from working where they can produce the goods most wanted by society.

Much of this is, of course, due to the popular fallacy that only an equal exchange is a fair exchange and that if one person, the employer, for example, gains, he must have done so at the expense of the worker. This is responsible for so much of the antagonism against the capitalist, against the investor, against the saver—the belief that his gain is unearned and that the capitalist or saver is getting something at the expense of the worker. This is Karl Marx's exploitation theory. It is the theory of class warfare as opposed to the market theory of voluntary social cooperation.

Marx put great stress on this.

He believed that under the natural law of wages, employers worked the workers too long. Workers produced enough to support and reproduce themselves in, let us say, ten hours. Employers worked them eleven or twelve hours. According to this idea, what workers produced in the extra hour or two was taken and kept by the capitalists. So one of the chief policies of labor unions has been to demand shorter hours for the same pay. If you shorten hours for the same pay, you have less production. Less production does not provide a higher standard of living. If widely practiced, it must mean higher prices and a lower standard of living. Of course, when this happens as a result of free market processes, it means that market participants prefer to take some of their potential increased production in the form of more leisure.

Another fallacy in this area is the argument that money wages must be raised in order to provide workers with the purchasing power to buy their production. Actually, higher living standards require more production, not more money. Workers can only buy what is produced. If production is reduced because fewer workers are hired, increasing money wages does not provide any more goods. This is an old fallacy. There is no

way to increase the purchasing power of one worker by increasing his wages without at the same time decreasing the purchasing power of other workers.

The employer has no power to set wages. He cannot in the long run pay more than the consumer will repay him. Nor can he long pay less than the market value of labor's contribution. This Marxian idea simply does not stand up. Yet, today many people honestly and sincerely subscribe to this idea that employers have too much power. Their failure to understand free market economics permits them to believe that in a modern industrial society employers have great power while the poor workers are helpless. Actually, in a free market society it is ultimately the consumers who set prices and thus the wages that employers can and must pay.

How Labor Unions Affect Wages

Questioning the virtues of organized labor today is like questioning or attacking religion, monogamy, motherhood, or the home. In public opinion, the test of whether one is for or against labor or the workers or the poor in general is your attitude toward labor unions. One simply cannot argue that certain union policies hurt labor and expect to be taken seriously. The fact is, of course,

that union policies *have* hurt workers in general and particularly those at the lower end of the income scale.

The essence of present-day union wage policies is to reduce production and to keep the unemployed from finding work and the low-paid from competing for higher-paying jobs. Such policies are not going to raise the nation's standard of living. We can never improve the general welfare by policies which reduce production. Unions make high wages higher for some, but they make costs higher for other people and thus reduce the goods and services that consumers, including workers, can buy in the market place.

The unemployed, those at the bottom of the economic ladder, have no voice in union affairs or in setting wage rates. They are completely shut out. Union officers care very little about nonmembers or beginners trying to get started. There are cases in New York where a man cannot get into a union unless his father was in it before him. Since, under the law, only union members can work in certain trades, this has hurt Negroes trying to enter trades white unions have monopolized. If one's father had to be in the union, how can a Negro ever get into that union? This has applied to other low-income minorities in times

past. The unions do not help the relatively poor. They help the aristocrats of labor at the expense of low-income workers. They get privileges for their members at the expense of other workers or would-be workers and they raise prices for all consumers.

Combinations of workers can only raise wages if they can raise the value or the quantity of the product that they produce. Now, of course, if the quantity produced is smaller, other things remaining the same, the value per unit is greater. However, the available quantity will satisfy fewer consumers and thus provide less human satisfaction. So, if the unions do not increase production, the only way they can raise the relative value of a unit of labor is to reduce the units of labor employed and the quantity of goods produced in that industry. Without the power to keep out other workers, unions can do little to raise the market value of what their members produce. This does not help either the workers excluded or consumers in general.

We live in an age of mass production for mass consumption. If we do not have mass production, we cannot have mass consumption. So by reducing the amount of production, unions are not helping workers in general. By setting wages at higher than free market

wage rates, unions reduce the amount that can be sold. They throw people out of the jobs where they could be most productive. What the unions gain for their own members results in a loss to those who are excluded from co-operating in the task, and it results in a loss to all consumers as they will have to pay higher prices per unit for a smaller quantity of goods and services. Every consumer who does not share the union's gains will have to go without something he could have bought if the union gain had not raised prices.

The control of wage rates is also the control of entry into a trade or industry. Such control also determines rates at which a company or industry expands or contracts. In a free society, if the wages in an industry were lower than those forced by unions, that industry would expand. When unions raise the wages of an industry, that industry either has to contract, or, if it stays the same size, it is prevented from expanding as it would if it could pay free market wages.

Expanding means paying higher wages to attract the more workers needed. It also means producing more goods that consumers want most and lowering prices so the same wages will buy more. Of course, there is also a tendency

toward the elimination of profits. Unions can protect their members from the competition of other workers merely by raising union wage rates, because then the employer cannot afford to employ any more. This is one of the inevitable results of the union seniority principle. Those with high seniority are not worried about those who lose jobs because of higher union wages.

Effect of Union Policies on Savings

One of the most important factors in the labor situation is the effect of union policies on employers, savers, and investors. Many think that wages can be raised at the expense of the employer or the investing owners, and thus higher wages need not hurt the consumer. They think you can just reduce profits a little bit more and that will take care of the higher wage costs. As we have tried to make clear, the way to raise the wages of workers is to increase the savings invested in tools that workers can use to increase their production.

The accompanying table may help to give us a better understanding of some of the problems faced by workers and by those who try to make a living by employing people. Assume a steamship which cost \$2 million to build and which is expected to last 20 years. The

yearly depreciation and interest charge would then be \$150,000. The owners assume an expected market revenue of \$14,100 per week. It is expected to operate 50 weeks of the year. The people who are investing this \$2 million considered it carefully in advance. If their forecast is correct, they expect their weekly costs will be:

Depreciation and interest	\$3,000
Labor wages	8,000
Other operating costs	2,100

and they hope for profits of \$1,000 over and above the interest which they could get by lending the money out. The total of the items mentioned comes to \$14,100.

Of course, if they foresee future developments incorrectly, they will suffer a loss. But if they have foreseen future operations correctly, if they have calculated their labor and other costs correctly, and if they have estimated correctly what the public will pay for the service, then and then only will they earn the estimated profits. Then only will they earn the estimated profit and be able to replace the ship and continue to employ the workers after 20 years.

In order to make this problem easy to understand, we shall assume that this ship is on a lake and cannot be moved to be used any place else. So once this investment is made, those who have

Steamship Costs \$2 Million and Lasts 20 Years
 Yearly Depreciation and Interest Charge—\$150,000
 Market Revenue \$14,100 per Week (50 weeks)

Weekly Cost	Free Market Wage Rates	Union Forces Wages Up		
		10%	25%	50%
Labor Wages	\$8,000	\$ 8,800	\$10,000	\$12,000
Other Operating Costs	2,100	2,100	2,100	2,100
Depreciation and Interest	3,000	3,000	2,000*	none*
Profit	1,000	200	none	none
Totals	\$14,100	\$14,100	\$14,100	\$14,100

* Amount available toward \$3,000 expense.

turned their savings into a steamship cannot withdraw them. If a labor union has the power, either through public opinion or through the laws of the land, to raise wages above those prevailing in the market at the time, the investors will then be at the mercy of the unions.

Now, we shall assume in the second column of figures that the union is able to threaten a strike or otherwise use its power to raise wages 10 per cent. This increases the cost of labor to \$8,800 and reduces the profit, beyond the charge for interest, to \$200. Under such a situation, the owners will continue operating. They will still get a small profit, smaller than they had calculated, yet more than they would have gotten if they had lent their money out at market rates of interest. They are still — you might say — ahead of the game.

The union members, having found it easy to use their power to get this 10 per cent increase, are still not satisfied. They try it again. Let us assume that this time they increase wages to 25 per cent above free market wages. You see the results in the next column — a situation in which the workers are then getting a weekly total of \$10,000 in wages. There are no longer any profits after interest. In fact, the employers are not covering their depreciation and interest. They are only getting two-thirds of this expense, or \$2,000. Under such circumstances, they will still operate the steamship. If they stopped operating, they would get nothing for depreciation and interest. \$2,000 is better than nothing. Everyone prefers a little something to nothing. We even prefer a small loss to a larger loss. At this rate, when

the ship is worn out, the owners will not be able to replace it. They will not have depreciated enough. So, of course, when the ship is worn out, this business will be ended and the men will lose their jobs.

But assume the union workers do not see this. Suppose they go on and ask for a further increase. This time we assume they seek a total increase of 50 per cent. Then you find the situation in the last column where you have arrived at the margin. The owners receive nothing for their capital, no allowance at all for depreciation or interest on their capital. The operating income would just cover the wages of the workers and other operating costs. Then, it no longer pays the investors to operate their steamship. They have reached the point where they would be operating the ship for nothing. This they do not care to do. So the operation comes to an end and the men lose their jobs. They have killed a good thing.

Savers Can Be Scared Away

All this is not very far from reality. For many years, from 1837 to 1947, we had in the United States the old Fall River Line. It was a steamship line that provided overnight boat service between the beautiful harbor of New York and Fall River, Massachusetts, a

short train ride from Boston. It was a trip that many people enjoyed and a cheap way to ship freight. The unions kept raising the wages of their members until the steamship line was forced out of business.

There are lessons to be learned from this illustration. Businessmen can get caught. Investors can get caught. Savers can get caught. Once they put their money into particular forms of capital they are caught. When unions can raise wages to the point that business income covers only part of the depreciation and interest expenses, the investors will still operate their business, because any income is better than writing off the investment as a complete loss. But what is the effect of this on potential investors? Would you, if you had any savings and saw this happening, try to go into competition or start a similar service elsewhere?

This is the problem that workers face. Yes, unions can temporarily raise some workers' incomes. But they also reduce the competition for workers and in the long run they reduce the number of high-paying jobs available. In real life, tools, machines, and other capital goods wear out or become obsolete one by one. They do not all go to pieces at one time. A typewriter wears out and it is

replaced. Some small machinery wears out from time to time, but whole factories seldom wear out all at once. Unions can push wages up so long as it still pays to replace the worn-out parts and continue operations. This permits businesses already established to stay in operation, but it greatly discourages the starting of new businesses.

These union policies thus tend to stifle the very thing that encourages competition for workers and raises wages. If we are to have higher real wages, higher real income, that is, more goods and services, we must have more savings and more businesses competing for the workers. This union policy, of forcing wage rates above those that would prevail in a free competitive market, reduces the savings and the number of employers who compete for workers. Under such policies, people with savings will tend to put them under the mattress or send them out of the country.

There are many people in many parts of the world who are sending their savings outside of their country, just because of such conditions. They no longer feel that it is safe to invest savings in their own country. Other people stop saving. Why save, if your savings are going to be confiscated? Why not spend, live high, and have a

good time while you are here? Still others will put their savings in government bonds in the belief that they will be safer there than invested in private enterprises. But the money will then be spent to buy votes and the interest on the government's debt will become an added burden on the taxpayers and on the workers too. So we see that if union wages are forced up above free market wage rates, they end by killing the goose that lays the golden eggs of higher wages for all, that is, the increased invested savings that provide higher and higher standards of living for all.

Only Savings Can Reduce Economic Hardships

The reason why we have so much starvation in so many countries, in India for instance, is because private property is not protected. Investments are not protected. After India became independent of England, Nehru said that India needed and wanted foreign capital. It is true, he admitted, that India was going to be socialist but he added, if you will put your capital in India, we will promise not to confiscate it "for at least ten years." How much money would you or any sane person invest in India under such conditions?

If workers want to raise their

wages, they must adopt policies which will encourage savings. We have had this problem in the Western world for a good many years now, for most of this century. However, as union wages have gone up in the more productive industries, which unions can most easily organize, and in what we call bottleneck industries, like transportation, the unions can shut down other industries. They raise the wages of some, but raising wages raises the prices, and with higher prices fewer articles are sold, which means fewer men are employed in the organized industries. The workers kept from jobs in these industries must then compete in some other lower-paying industry. This drives those wages down unless those workers too are organized into politically privileged unions. Then more workers are thrown into competition with still lower-paid workers, until some of them are, by these very "pro labor" policies, forced to work for wages on which they cannot keep body and soul together. Then we feel sorry for them.

The popular remedy today for such very low wages is a minimum wage law. The minimum wage law says that you cannot employ a man unless you pay him a specified minimum wage. In the United States, this is now \$1.60

an hour. We still do not have a dictatorship. Until we do, employers will only employ people if they can hope to get the \$1.60 back from consumers. If the consumer says a man's contribution is only worth \$1.50, the employer is not going to pay him \$1.60.

The employer is only an agent of the consumer. So the man becomes legally unemployable. It is now illegal for anyone to hire him. He cannot legally earn what he could in a free market, which is to say, the highest amount any consumer will pay for his contribution. So unemployment insurance was invented to take care of these people. When unemployment insurance payments expire, the popular remedy is relief or welfare payments, which become a burden on taxpayers who are, of course, in the long run, the workers. The only possible outcome of such policies is higher prices, higher taxes, less production, and more poverty.

Good Names for Laws Not Enough

People with the best of intentions and the least economic understanding constantly try to help the people on the bottom of the economic ladder by governmental intervention. We have had the National Recovery Act, which was supposed to help both business and labor by letting them organ-

ize with government help to set high prices and high wages. We had the Agriculture Adjustment Act. We had the Securities and Exchange Act. We had many such acts with nice sounding names and preambles expressing the best intentions.

The real question always is: Are such laws a sound means for obtaining the desired or specified ends?

The National Recovery Act did not produce national recovery. The Agriculture Adjustment Act did not adjust agriculture to consumers' wishes. We have had surplus after surplus. We have given billions of taxpayers' dollars to the farmers and after thirty-five years still do. The so-called farm problem is still with us. Only one such law has lived up to its name. The Unemployment Insurance Act has guaranteed that we will have unemployment.

These interventions did not increase production. In a free market society everybody can get a job at the highest wage the consumers will pay for his contribution. He cannot long get any higher wage; and nothing that government can do will change this situation or improve it. But many workers and voters believe unions can raise the wages of all workers.

Governments, of course, have to do what is popular; they cannot

do what is unpopular. Today it is popular to think that no worker's wages should ever be allowed to fluctuate downwards. Wage rates, it is thought, should only move upward. So our laws and labor unions attempt to prevent any reductions in money wages.

The market system permits consumers to change their wishes and wants. When these shift, employers have to change the things they produce to satisfy the customers. The way this happens in a free market is that the prices of things no longer wanted in such large quantities go down, while the prices of things for which demand has increased go up. Businessmen switch from producing losing lines of goods to producing goods on which they hope to make a profit. They stop producing goods that can only be sold at a loss. When the demand changes, they make fewer candles, for instance, and switch to producing electric bulbs and lamps. And so it is that workers must switch to different industries.

Nowadays, we no longer permit any wages to fall. So if employers can no longer pay the union-demanded wages, they must cease operations altogether and fire everybody, including those who might be satisfied with slightly lower wages until they can find better-paying jobs.

Employers and Employees Not Enemies

In real life, workers and investors in the same company are not competitors. Production and marketing are not class warfare. Savers, employers, and employees of the same company are team workers. A demand for a Ford automobile is a demand for a Ford factory and for Ford workers. All those needed to produce the factory and the autos are a team. Anything which helps an automobile company helps all those who are on the team, either as investors or workers. The ultimate demand of consumers is for a team combination and it is this free combination that is going to help all of us have more of the things we want most.

The demand for workers at higher wages should come from those putting increased investments to work. New investments always seek new workers. Then all other employers have to pay the new higher wages, because no employer can keep workers if a competitor is offering higher wages. Present union policies cannot raise the wages of all workers. They lead only to higher prices and lower production.

If we are going to stop the ever upward wage-price spiral before there is a complete collapse in the value of the monetary unit, we must create a climate that will

lead to the repeal of all laws which permit unions to exclude qualified workers from competing for jobs in union-organized industries. We must stop subsidizing unemployment and permit wages to be set by free market competition in the service of consumers.

The Keynesian Solution

This is not the policy in most countries of the world. Under present policies, workers are getting higher money wages which are lower real wages because the value of the monetary unit is constantly being diluted. We are going into progressive inflation. Savers are being liquidated. Their property is being confiscated. New savers are scared away.

Politicians are constantly afraid, and rightly so, of doing things which are unpopular. They endorse popular spending measures, but they shun the resulting costs; and to stay popular they have resorted to inflation. This is the so-called Keynesian policy. It is set forth in John Maynard Keynes' book, *The General Theory of Employment, Interest and Money*. The key sentence is: "A movement by employers to revise money wage bargains downwards will be more strongly resisted than a gradual and automatic lowering of real wages as a result of rising prices."

This was the policy endorsed by Keynes. It is the policy of most governments in the Western world today. Keynes knew, as every economist does, that the only way that you can employ more people is to lower the wage rate. But ever since World War I this had become politically difficult in Great Britain. Powerful British labor unions, with the help of the Fabian Socialists, had built up public pressures which opposed any lowering of any money wages. British politicians of all parties were afraid to resist this popular union policy. So in 1931, when the number of unemployed became unbearable, the politicians in office preferred to lower wages by devaluing the British pound. The workers kept their puffed-up pound wages but their pounds bought less.

In 1936, Keynes gave this political policy academic sanction in the book and sentence just quoted. Since then, most Western nations have adopted this "Full Employment" policy. In essence, when unemployment is considered too high, wages are lowered by lowering the value of the monetary unit. This is done by increasing the quantity of the monetary units. We have gotten into a situation of ever-rising wages and prices with more and more work-

ers paid less than they would earn in a free market.

Neither union leaders nor union workers are stupid people. Keynes and the British politicians were able to fool the employees in England when they first tried this scheme in 1931. They changed all the index numbers, making it difficult to document the price rises reflecting the lower purchasing power of the pound. But now every union has a statistician, who can see from the official cost of living indices that prices are going up. And when they go up, the unions demand still higher wages. This system of Keynes' has just about reached the end of the road. You can no longer fool the workers by lowering the value of the monetary unit. They are now wise to what is happening and they are not going to take it much longer.

The only final answer to this problem is more economic education showing that the only way to keep raising wages permanently is to increase production and the way to do this is to encourage savings. For it is only increased savings that can provide workers with more and better education and more and better tools with which they can produce and buy more and better products that they want most.





Photo by Chris Honeyman

Ludwig von Mises

DEAN OF RATIONAL
ECONOMICS

HANS F. SENNHOLZ

WHEN, in future centuries, historians search for the reasons for the phenomenal decline of Western civilization, few contemporary sources will be of any use. True, they offer colorful descriptions of the symptoms of this decline, but their explanations are usually infected with the very bacillus that is destroying our magnificent

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order. Future historians will be bewildered about our blindness and madness, our moral lethargy and decay.

"But were there no 20th Century philosophers" they will ask, "who recognized the ominous trend toward economic destruction, social disintegration, and political tyranny? Was there no prophet of the impending doom?"

We hope for their sake that they will discover the works of Ludwig von Mises who, since the beginning of this century, has been warning his contemporaries. Again and again he forewarned them about the growing popularity of ideologies of conflict and war, the rise of collectivism, and the sway of tyranny in the Western world. In fact, his writings, which will be so invaluable to future historians, are last-minute warnings to us, the living generation.

This is why the Foundation for Economic Education in Irvington-on-Hudson, New York, in conjunction with Arlington House in New Rochelle, N.Y., and Jonathan Cape Publishers in London, have again prepared new editions of some important Mises works.

Socialism, An Economic and Sociological Analysis (Jonathan Cape, 30 Bedford Square, London)

was first published in 1922. Friedrich Hayek, one of Dr. Mises' most eminent students and disciples, recalls how *Socialism* overwhelmed him as a young student, awakened him in the midst of the socialistic fashion of the day. Henry Hazlitt in his review, which appeared in the *New York Times* of Jan. 9, 1938, wrote:

"This is by far the ablest and most damaging answer to the Socialist philosophy since Böhm-Bawerk, another Austrian economist, also from the University of Vienna, published his memorable *Karl Marx and the Close of His System* in 1898.

"It is more than that. Böhm-Bawerk confined himself mainly to an examination of Marx's technical economics. Mises, apparently on the assumption that Böhm-Bawerk disposed so thoroughly of Marx's strictly economic analysis of capitalism that the work does not have to be done again, does not go over this ground, except by incidental reference. But he recognizes that socialism does not stand or fall with Marx's economic analysis; and therefore he devotes himself to the much wider task of examining all the arguments against capitalism or in favor of socialism from whatever source."

Mises' *Socialism* was revolutionary in its critique of the socialist order. For the first time in the

history of Marxism a scholar revealed its fundamental economic deficiency: its incapability of solving the problem of economic calculation.

Without the common denominator for economic calculation, which is the market price, a socialist society cannot rationally allocate its labor, capital, land, and other resources, and fairly distribute the yields of production. It would be unable to determine whether its production yields a social profit or social loss. It could not determine the contribution made and the reward earned by each worker.

In short, it could not rationally and economically compare the multiplicity of costs with the returns of production.

Professor von Mises is not optimistic about our future. "Capitalism," he writes, "has raised the standard of life among the masses to a level which our ancestors could not have imagined. Interventionism and efforts to introduce socialism have been working now for some decades to shatter the foundations of the world economic system. We stand on the brink of a precipice which threatens to engulf our civilization. Opposition in principle to socialism there is none. . . ."

*Mises' Omnipotent Government,
The Rise of the Total State and*

Total War (Arlington House, New Rochelle, N. Y.), was first published in 1944 when 57 nations were locked in a total war that slew more than 15 million fighting men and countless women and children. It offers an ideological explanation of the international conflicts that caused both World Wars and continue to breed wars the world over.

Professor Mises illustrates his case with a review of the fall of Germany, from the collapse of classical liberalism to the rise of nationalism and socialism. But Germany merely constitutes an early example of the things to come — all of Western civilization is at stake.

Durable peace, Mises concludes, is only possible under perfect capitalism and laissez-faire government, a world of unhampered markets, free mobility of capital and labor, and equal treatment of everyone under one law. Government interference with business necessarily aims at autarky. But protectionism and autarky mean discrimination against foreign labor and capital and thus create international conflict.

The very ideas that breed bitter domestic conflict between classes and races also generate international conflict and war. "Progressives" at home and abroad aim at equality of income. But their own

policies result in a perpetuation of the inequalities between classes and nations.

In Professor Mises' own words: "The same considerations which push the masses within a country toward a policy of income equality drive the peoples of the comparatively overpopulated countries into an aggressive policy toward the comparatively underpopulated countries. They are not prepared to bear their relative poverty for all time to come simply because their ancestors were not keen enough to appropriate areas better endowed by nature.

"What the 'progressives' assert with regard to domestic affairs — that traditional ideas of liberty are only a fraud as far as the poor are concerned, and that true liberty means equality of income — the spokesmen of the 'have not' nations declare with regard to international relations."

At home and abroad they style themselves revolutionaries fighting for equal shares and proclaiming the right to take them by force if necessary. This is why our age is marked by perpetual conflict.

According to Professor Mises, "Government control of business engenders conflicts for which no peaceful solution can be found. It was easy to prevent unarmed men and commodities from crossing the borders; it is much more diffi-

cult to prevent armies from trying it. The socialists and other etatists were able to disregard or to silence the warning voices of the economists. They could not disregard or silence the roar of cannon and the detonation of bombs.

"All the oratory of the advocates of government omnipotence cannot annul the fact that there is but one system that makes for durable peace: a free market economy. Government control leads to economic nationalism and thus results in conflict."

The essay, *Bureaucracy* (Arlington House, New Rochelle, N. Y.), was written and first published in 1944. Its main objective is an investigation of the contrast between bureaucratic management and business management. As such it is an invaluable contribution to the great historical debate between individualism and collectivism.

Professor Mises does not condemn or blame bureaucracy. He merely explains its meaning and discusses its proper spheres of application. In fact, in certain fields it may be the only possible method for the conduct of affairs. A police department, for instance, or the Marine Corps cannot be operated by profit management, as it cannot sell its services on the market. No matter how valuable and indis-

pensable its achievements may be, they have no price on the market and therefore cannot be calculated in a profit-and-loss statement.

But whenever government endeavors to apply bureaucratic management to private business, the consequences are often disappointing. Social and political objectives usually supersede rational calculation of cost and yield, which fosters economic inefficiency and bureaucratic complacency. When economic production is completely bureaucratized, the individual is lost in a maze of regimentation and regulation. Youth especially is condemned to a listless life of subordination and obedience.

In the words of Mises: "Government jobs offer no opportunity for the display of personal talents and gifts. Regimentation spells the doom of initiative. The young man has no illusions about his future. He knows what is in store for him. He will get a job with one of the innumerable bureaus, he will be but a cog in a huge machine, the working of which is more or less mechanical. The routine of a bureaucratic technique will cripple his mind and tie his hands. He will never be free to make decisions and to shape his own fate. He will never be a real man relying on his own strength. He shudders at the sight of the huge office buildings in which he will bury himself."

In 1957 Professor Mises added *Theory and History: An Interpretation of Social and Economic Evolution* (now Arlington House, New Rochelle, N. Y.) to his impressive list of scholarly publications. It is Mises' philosophical treatise that sums up his views on what man can know in his world. As man has always gone amiss in his attempts to bridge the gulf between mind and matter, he must adopt a dualistic approach – or methodological dualism.

According to Mises, this dualism “merely takes into account the fact that we do not know how external events – physical, chemical, and physiological – affect human thoughts, ideas, and judgments of value. This ignorance splits the realm of knowledge into two separate fields, the realm of external events, commonly called nature, and the realm of human thought and action.”

Ever conscious of this dualism and aware of the limitations of human knowledge, Professor Mises defends the sciences of human action against those philosophies and doctrines that would deny their very existence. In particular, he refutes the positivistic and panphysicalistic distortions of determinism, the doctrines of materialism, positivism and behaviorism, historicism and relativism.

Present-day ideologies, accord-

ing to Professor Mises, are characterized by their summary rejection of individual freedom and private property in economic production. “Millions today enthusiastically support policies that aim at the substitution of planning by an authority for autonomous planning by each individual. They are longing for slavery.

“Of course, the champions of totalitarianism protest that what they want to abolish is ‘only economic freedom’ and that all ‘other freedoms’ will remain untouched. But freedom is indivisible. The distinction between an economic sphere of human life and activity and a noneconomic sphere is the worst of their fallacies.

“If an omnipotent authority has the power to assign to every individual the tasks he has to perform, nothing that can be called freedom and autonomy is left to him. He has only the choice between strict obedience and death by starvation.”

Even the most cursory review of Professor Mises' great writings would be incomplete without mention of his magnum opus, *Human Action, A Treatise on Economics* (Henry Regnery Co., Chicago). When it first appeared, his friend Henry Hazlitt wrote in *Newsweek* magazine (Sept. 19, 1949):

“I know of no other work, in

fact, which conveys to the reader so clear an insight into the intimate interconnectedness of all economic phenomena. It makes us recognize why it is impossible to study or understand 'collective bargaining' or 'labor problems' in isolation; or to understand wages apart from prices or from interest rates or from profits and losses, or to understand any of these apart from all the rest, or the price of any one thing apart from the prices of other things. . . .

"*Human Action* is, in short, at once the most uncompromising and the most rigorously reasoned

statement of the case for capitalism that has yet appeared. . . ."

Professor Mises' most recent essay, *The Historical Setting of the Austrian School of Economics* (Arlington House, 1969), finally, offers a brief review of the historical setting from which sprang not only rational economics but also statism and socialism that are sapping the foundations of Western civilization and well-being. This booklet and all other Mises books are required reading for everyone who cares about the future of man. 

Available from the Foundation for Economic Education, Irvington-on-Hudson, New York 10533. ($\frac{1}{3}$ off on prepaid orders for 3 copies or more.)

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MARX

AND THE INTELLECTUALS

IN THE THIRTIES we had plenty of young radicals around who professed to be Marxists. To give them their due, they had actually read the works of their mentors, from Papa Marx and his collaborator Engels, on down through Karl Kautsky, Eduard Bernstein, Rosa Luxemburg, Nicolai Lenin, Leon Trotsky, and the rest. They knew about "revisionism," they could argue about the relevance of Trotsky's "law of uneven and combined development." True enough, they were ignoramuses when it came to the subject of economics; they believed the discredited hokum about the inevitable impoverishment of the working classes under capitalism, they spouted nonstatistical nonsense about the "falling rate of profit" as constituting the "law of motion of the capitalist system," and they accepted the notion of "surplus value" which has no scientific justifi-

cation whatsoever. But despite their failings, the radicals of the thirties had done their homework when it came to mastering their own literature. It was a pleasure to argue with them, for they knew how to listen and they did not expect immediate capitulation to their point of view.

The contemporary breed of young Marxists, however, is quite a different animal. Despite their complaints about the "generation gap" and the "lack of communication," the modern Marxists insist that their slogans must be accepted without argument (to the accompaniment of witless cries of "right on, right on"). The idea of debate, of a comparison of alternatives, is frowned upon. In the thirties the socialist Norman Thomas and the Communist Earl Browder would submit to questions; today the very idea of conducting a rational discussion with the likes of Jerry

Rubin or Abbie Hoffman or Mark Rudd is laughable.

What has happened in the last generation to debase the intellectual climate? How is it that our reviving "neo-Marxism" has succumbed to such irrationality and amorality? Lewis Feuer, who was himself a Marxist of sorts when he was a young professor, thinks the source of our contemporary confusion can be cleared up if only we can come to grips with the career of the concept of "alienation."

The Concept of "Alienation"

In his thought-provoking *Marx and the Intellectuals: a Set of Post-Ideological Essays* (Doubleday and Co., Anchor Books, \$1.45), Professor Feuer traces the shambles on our campuses to leftist intellectual failure to make a study of Marxism as a whole. The young have become "hung up," to adapt their own phrase, on a specific phase in the life of Karl Marx which Marx himself came to reject as he grew older. By limiting their reading of radical literature to the juvenalia of Karl Marx, the "neo-Marxists" have taken "alienation" as a "slogan-word" out of its context in the totality of a life. The "slogan-word" has become a "generation fetish," and the fetish has resulted in a "largely directionless rejection of American society." Professing themselves to

be Marxists, the young have actually become disciples of the anarchist Bakunin, whom Karl Marx held in special abomination.

"Alienation" and the Human Condition

As a dedicated student of the entire library of Marxist thought, Professor Feuer is quite aware that Marx and Engels had to discard the concept of "alienation" from their thinking simply because it led nowhere in terms of what they were after. "Alienation" is a psychoanalytic concept which raises more questions about human nature than can be answered by references to the class struggle. It leads one out of "historical materialism" into the subjective world of Sigmund Freud.

As Professor Feuer points out, there are several modes of "alienation" that are quite independent of each other. A worker on an assembly line can be just as "alienated" in a socialist factory in eastern Europe as he might be in a General Motors plant in Flint, Michigan. One can feel "alienated" because of race, or because of mother or father rejection, or because of caste restrictions in a pre-capitalist, pre-industrial part of the world. Professor Feuer found "alienation" in the Israeli kibbutz societies, where certain individuals reacted to the "inter-

minable vacuity" of "communal-ity." These individuals would "flee to their tents" to escape from a "closed circle, a squirrel cage from which there is no release."

In short, "alienation" is part of the human condition anywhere. It is something the individual must come to grips with in relation to his own psychological problems. To project one's personal troubles on "society" or on the "system" when they may very possibly derive from one's family circumstances or from individual character shortcomings is unintelligent. So Professor Feuer reaches an inevitable conclusion: our "intellectuals," so-called, give evidence of having defective brains when they permit themselves to be "hung up" on "alienation" as something worth talking about.

"The socialist movement," says Professor Feuer, "proposed to eliminate economic exploitation and to abolish the class system. These were relatively definable goals. A movement cannot, however, very well propose to alienate the alienators as it did to expropriate the expropriators, for the alienated mood is so multiform in its expression, so unlocated in any specific social form, that it does not delineate the clear goals and foci for action that a political movement requires."

The New Barbarism

The modern Marxist may still make pietistic references to the idea of "scientific socialism," but actually he has reverted to something that Professor Feuer calls "neoprimitivism." The new Marxism is "Marxist in form but Bakuninist in content." Instead of holding any real belief in what nineteenth century Marxists called the "three arms of the labor movement — the union, the cooperative, and the party," the modern Marxist thinks that a "labor metaphysic" is an "unrealistic legacy from Victorian Marxism" (the quote is from C. Wright Mills). The new Marxists believe in the primacy of the individual will; they are "neo-barbarian, anti-intellectual, anti-urban, anti-working class, anti-Western." Their theory is that the "peasant countries" of Asia and Africa and Latin America will eventually surround the "West." And they look to see the college intellectuals, not the labor leaders, forcing the eventual capitulation of capitalist society to the Maoists, the Castroites, and the idolators of that consummate guerilla failure, the late Che Guevara.

Professor Feuer is very much aware of contradictions in socialist thought that Marx and his successors in the Soviet Union have never been able to solve. Communism was supposed to lead to a genuine

intellectual liberalization. But the Soviets don't even dare to discuss the origins of Stalinism. If they explain it along "historical materialist" lines, they have to admit that the system devised by Lenin was itself at fault in permitting the emergence of a cruel tyrant. If, on the other hand, they try to blame Stalinism on the "paranoid tendencies" of an individual, then psychoanalytic factors must be accepted as part of "social causation." No matter how they squirm, the Soviet intellectuals are caught by the "dead hand of official Marxist ideology." They cannot think for themselves when they are limited to "historical materialism."

An Honest Doubt

Though he began as a socialist, and presumably still thinks of himself as one, Professor Feuer has come to reject socialism as a "dialectic system." Our future development, he says, is shrouded in mystery because of "three basic aspects of indeterminacy." The "fall in the rate of profit" is not necessarily fated "unless extra-

economic rigidities are added to the laws of economic theory." "There is no foretelling in the capitalist economy whether innovation will be predominantly of a capital-saving or labor-saving form." And, "most important, there is no way of foreseeing whether a given era will be marked by the dearth or the emergence of new great industries." The only advantage that socialism has over capitalism, in Professor Feuer's estimation, is that it "is an attempt to reduce the impact of economic indeterminacy on men's lives." As against the "advantage," however, there "remains the great question as to the extent to which an over-determined, over-planned and over-socialized economy can frustrate other components in men's psyches."

This is fair enough. If our student radicals were willing to debate the subject on Professor Feuer's terms, we might get somewhere. But I'd like to know how many college bookstores have stacked *Marx and the Intellectuals* in any depth on their shelves.



the Freeman

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PAUL L. POIROT

THE LAWS AND THEIR USES



ONE MAY DEPLORE the harm a person does to his own mind and body through addiction to drugs and assorted "pleasures." But a public problem arises when the addict turns to crime and the injury of others in the attempt to support this expensive habit.

Especially alarming is the growing number of teen-agers and even younger children hooked on drugs. More and more one hears the demand that schools "get busy and do something about the drug problem among students." The proposal, in effect, is to convert the public schools into reformatories.

This call for further help from the welfare state illustrates an addiction far more widespread and serious than the combined evils of narcotics, tobacco, wine, women, and song. The "something-for-nothing" habit in the United States is now taking from citizens in taxes more than two-fifths of

their annual earnings. But that is by no means the full cost. The time and energy spent by government in regulating the lives of peaceful citizens is time and energy that cannot be used to suppress and control criminals and carry out essential functions of government. Whenever government becomes overextended into every aspect of business and private affairs, it inevitably invites, encourages, and tolerates crime and corruption.

So the citizens face these immeasurable hazards and costs in addition to the direct burden of taxes. All told, the people of the wealthiest industrial nation in the history of the world are spending approximately half of their earnings to support the hallucination of something for nothing. Dreaming up problems for the government to solve is a debilitating and costly habit.

The industrialization of an econ-

omy is a process of specialization and division of labor and voluntary exchange, each participant devoting his talents and resources in a restricted area of his choice and depending on trade with other specialists to satisfy his other needs. Though government is necessary for policing the market and protecting the lives and property of peaceful traders, government basically is a form of coercion as distinguished from the peaceful production and voluntary exchange of goods and services in the market.

In other words, the market does not function coercively; goods and services are traded there in peace on a take-it-or-leave-it basis. Coercion and violence are not marketable items; rather, they disrupt and defeat the purposes of trade. If peaceful traders need protection from crooks and robbers, this is a "service" that cannot be produced and consumed or bought and sold in market fashion. The market recognizes neither dictators nor customers who want to be coerced. There is no market way of handling the supply of coercion or the demand for it. The governmental protection and policing of society is a nonmarket operation. It is an outside force that may be essential to the optimum functioning of the market, but a force that must be understood and used

sparingly lest it plunder and destroy those who would trade in peace.

The Policeman's Lot . . .

If I appoint a guard and authorize his use of force to defend me against unwarranted acts of coercion by others, then it would seem ill-advised on my part to expect the guard to use his coercive powers to:

feed me
clothe me
bring me water
build my house
clean up my garbage
provide my medical care
furnish my recreational facilities
save for my retirement
carry my messages
transport me hither and yon
control my working conditions
regulate my business activities
invent new products for me
conduct my research
discover truth for me
train me for employment
pay me when unemployed
teach me and my family to read and write
take care of my children
improve my morals
ration my consumption of alcohol, drugs, tobacco
censor my news, literature, entertainment
limit my spending

support my church
administer my charities
cultivate foreign friends
for me
screen out my competitors
hedge me from neighbors
take me to the moon
et cetera, et cetera, et cetera

Tom, Dick, and Harry

Tom, Dick, and Harry are agreed that government is organized coercive power and that government is necessary to the orderly functioning of society. They differ as to what is the proper role of the government.

Tom believes government's coercive powers should be strictly limited to protecting the life and property of each peaceful person against foreign or domestic infringement or aggression — to keep the peace and insure that men behave justly toward one another. Beyond that, he would look to the market processes of peaceful production and voluntary exchange for the satisfaction of wants, each person's ownership and command of scarce resources being in proportion to his capacity to earn them through service to others.

Dick also wants government to keep the peace, but thinks this may best be accomplished by stamping out any resistance to the wishes of the ruling majority. As Dick sees it, the majority's shifting stand-

ards of right or wrong should prevail over any individual's claim to life, liberty, or property.

Harry is confused. He wants the government to keep the peace and he understands some of the reasons Tom offers for respecting and upholding the freedom of choice of each individual and defending his life and property. But Harry also shares Dick's desire to tax the rich and give to the poor. And he expects government to regulate and control, if not actively manage and operate, vast business enterprises supplying goods and services that "everybody needs."

So, in our "Small Society," Tom wants limited government and Dick wants unlimited government; Harry, who agrees with his friends, holds the balance of power.

If Tom adheres to his principles of defending his life and property with a minimum of coercion against others, he can appeal to Harry's sense of justice but not force Harry to side with Tom and against Dick. Dick, on the other hand, is not deterred by principle from the use of threat or force, as well as argument, to impose his socialistic government upon Tom and Harry. The nature and extent of government control of this society is largely up to Harry and depends upon which way he happens to waver at the time.

The Harrys — for there are

many of them and they always outnumber the hard-core Toms and Dicks in any society — are rarely conscious of any principles of action. They merely react to this or that urge or pressure. Yet, by their reactions, they plot the course of government. In a huff of grievances against an inept King George, the Harrys may let Tom constitute a government of strictly limited powers. That is, they do not then react against the principles for which Tom stands. But without understanding or conviction, the Harrys of another day may just as easily swing behind Dick and his subtle arguments for expanding the government into a full-blown welfare state, riding roughshod over Tom and his principles. And about all Tom can do under the circumstances is to tolerate the trend and “render unto Caesar.” Not until Caesar’s oppression moves the Harrys to rebel can they again hear the sober admonitions to repeal special privileges and cut government back to a more limited defensive role.

So Tom and Dick have their respective principles of government. But the government, in fact, is always a compromise; it’s what the Harrys, by their reactions, say it is.

Because of its coercive nature,

government can be a dangerous servant; it can compel productive persons to stop whatever they may be doing and divert their time and energy instead toward the things said by the effective governing majority to be more important. Government can protect life and property against aggression; or, it can take from some to give to others. But these are contradictory behaviors; the one more or less precludes or negates the other. How clearly one perceives that basic contradiction largely determines his ideal of the proper role of government.

A person of foresight undoubtedly will see that government ought to be strictly limited to a negative defensive role so as to be the least possible burden upon the constructive and peaceful pursuits of individuals. It is similar to a drug that may be highly effective and appropriate as treatment of a disease. But those who do not foresee the potential tyranny may ask that government apply its coercive powers to all sorts of reform measures and charities and services to consumers that otherwise would be left to voluntary cooperation in the market. This use of the drug in a flight from reality becomes an addiction that weakens and destroys the individual.



CLARENCE B. CARSON

Throttling the Railroads

4

The Nature of Railroading

THERE WERE TWO basic charges against the railroads which promoted the increasing government regulation and control over the years. One was that they *discriminated* among their customers, particularly among shippers, and that this discrimination resulted in unjust rates. Specifically, critics claimed that the railroads favored those making large shipments over those making small ones, that they charged more for some short hauls than they did for long ones, that they gave preferential rates to some cities and denied them to others, that they gave rebates to

strategically situated shippers, and that they gave free passes to influential persons to ride passenger trains. These practices were said to be unjust because they meant that small shippers, those living in cities or towns without preferential rates, farmers, and people without influence were not only paying their own way but were also subsidizing favored customers.

The second charge against the railroads was that *competition* among them was *imperfect*. Some locations were served by several railroads and might have, in addition, water transport available, while others would be served by only one railroad. Those who were served by competing lines benefited from lower rates, while

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those with only one line between points were charged what the traffic would bear. Of course, this was only the simplest level of the charge about competition. Reformers have actually been quite ambivalent toward it; if it does not exist, they picture the customer at the mercy of a single company; if it does exist, they are apt to describe with horror the competitive practices. The legislation fostered over the years reflects the ambivalence of the reformers toward competition. At any rate, they charged that competing railroads formed pools to divide up the freight or passengers or receipts, as the case might be, thus reducing or eliminating the benefits from competition. Or, they charged that the railroads cut each other's throat when they competed. The effect of the latter was supposed to be that they charged very low rates for competitive traffic and made up their losses by much higher rates for noncompetitive traffic. Pooling, of course, raised the monopoly bugaboo—that monopoly conditions would prevail generally and that everyone would have to pay what the traffic would bear.

In sum, a picture was drawn that made government regulation of rates and control over service appear necessary if justice were to prevail.

The Facts Were Irrelevant

Theoretically, the charges might be dismissed as irrelevant and immaterial. The railroads were the private property of their owners in almost all cases; as such, the owners should be free to discriminate against whom they would and charge whatever rates suited them and provide such services as pleased them. For good or ill, however, it is this position that is irrelevant. It is historically irrelevant because the railroads have been and are regulated and controlled. It is irrelevant in America because we have a variety of popular government and, if enough of the people can be persuaded that injustice exists, measures will be taken to correct it. In any case, such has happened. Thus, the question of the justice of railroad practices must be tackled head on. This will lead us to an examination of the economics of railroading which will, in turn, clarify the issues which prompted regulation and show why the regulation, when it came, produced the results that it did.

Let it be stipulated, at the outset, that the railroads did sometimes engage in the practices which their critics described. That is, they sometimes charged more for a short haul than a long haul, gave rebates, gave preferential rates to large shippers, favored

some shipping points over others, formed pools, gave out free passes, and so forth. Whether such practices worked injustices upon the customers of the railroads is another matter.

Justice?

To be just means, so far as I can make out, to give to each man his due. In economic terms, it means that a man should have what he has earned or what has been given him by someone who earned it. So long as the railroads provided the service for which they were paid and at the rate agreed upon with each party to a contract, there would appear to be no further question of justice at issue. That is, the practices charged against the railroads could be dismissed simply as involving no instance of violation of contract. If they had, anyone unjustly treated by violation of contract would have recourse to the courts. No new laws were needed to provide such justice.

What the reformers have sought, however, has not been justice. It is sometimes called distributive justice, but it should be called, instead, *equality*. The laws passed restricting the railroads have been animated by the notion that all shippers and passengers of the railroads should be treated equally. They seem to think that each

customer of the roads should be charged what it costs to provide the service, plus a "reasonable" profit. To calculate such a charge, it should be necessary only to figure how much it costs to transport a given unit a certain distance and then apportion this among the customers according to the number of units and distance shipped.

Of course, no such calculation can be made. More precisely, if such a calculation were made it would spread disaster in every direction when applied. It could only be an *average* cost per-unit per-distance which would only by sheer luck be the actual cost of shipping one unit a given distance. If such an average cost were then prescribed, it might be expected to bankrupt every railroad in the country not only because the costs of providing rail service vary from one line to another and on the same line but also because they run counter to the whole purpose of the railroad. This is why the government programs have had such a deleterious effect; not because the programs have ever involved so simplistic an approach as the above but because they have worked off modifications of it which ignored the nature of the services railroads perform.

First, it must be made clear who the railroads ultimately serve.

Just as in so many other businesses, the railroads serve consumers. Who is the consumer in this case? In the case of goods, the consumer is the person who finally buys and uses them. Though the railroads do serve shippers, they do so only as an auxiliary function to serving the ultimate consumer. In the case of passengers, the consumer is directly the person who is traveling but it would be appropriate to describe those to whom he travels as being, wittingly or unwittingly, the ultimate consumers of this service.

The Right Place, the Right Time

In technical terms, what the railroads add is *place* value. In this respect, they are like all other means of transportation. The purpose of transportation is to bring goods and people together and to do so as quickly and inexpensively as possible. Ideally, a transportation system would make available at one's doorstep goods and people from all over the world upon command, in an instant, and without differential charge based on distance transported. As consumers, this is what we desire from transport. A student of the railroads described the service they provide in this way some time ago: "The sole reason why man uses the railway is that it is the most effective agency at his command for the an-

nihilation of space and distance, and it is to be hoped that in the course of time the railway or some other means of transportation will become so efficient as actually to annihilate distance. The one thing that distinguishes the American railway managers from the railway managers of the rest of the world is the success with which they have relieved cities or places of production of disadvantages resulting from their location."¹

If railroads were to establish rates upon the basis of costs per-unit per-distance, the tendency would be to deny service to consumers which they are set up to provide and to do themselves out of most of their traffic. Producers at more distant points would have to pay more than those nearer by to get their produce to market, and if the distance were great the cost would become prohibitive. This is not what the consumer — that is, all of us — wants. We want as wide a selection of goods and services as possible. The crucial fact is that the railroads can operate effectively only by providing them for us. Hence, the interest of the consumer is identical with that of the railroads. Some local producers, in a shortsighted way, have believed their

¹ Hugo R. Meyer, *Government Regulation of Railway Rates* (New York: Macmillan, 1906), p. 361.

interests to be at odds with the interests of the railroads — hence, with consumers — and have tried to prevent the railroads from providing transport from distant points inexpensively.

***The Economics of Railroading:
the Nature of Competition***

There are two basic reasons for the identity of interest between the railroad and the ultimate consumer: the particular exigencies of railroading and the nature of competition. Let us examine first the economics of railroading.

Railroads have unusually *high fixed costs*, more, as a rule, than any other means of transport, and probably as much or more than any other industry. Their fixed costs include such items as laying and maintaining tracks, building and keeping up passenger stations and freight depots, paying for switch yards, rights-of-way, bridges and crossings, rolling stock, safety devices, sidings, and such like. They are unusual, in America at any rate, in that they alone among the means of transport maintain the *thoroughfares* on which they travel. Wagons, boats, trucks, and planes rarely provide their own thoroughfares; waterways and highways are usually provided at the public expense, though some charge may be made for their use. Railroads usu-

ally even own and operate their traffic signals, something unheard of in other large operations. Hence, their costs in preparation for operation are very high.

On the other hand, railroads have unusually *low variable costs* compared with other means of transport. That is, railroads can increase the amount of service provided with declining costs for each additional unit to a point much beyond what is common in other businesses. A train of fifty cars, say, can be hauled for very little more than one of ten cars. Moreover, the cost per mile traveled declines precipitately as the distance is extended, since most of the fixed cost is in loading, unloading, and related activities. To put it another way, given the fixed costs and the fact that a train has been made up, each car added and each mile traveled costs less than the one before it. Railroad practices can be correctly understood only in this context. Railroads have tremendous incentive to increase the length of their trains, the frequency of them, and distance traveled. By so doing, they are enabled to recover their high fixed costs, take advantage of low variable costs, and increase their income. When they operate in this fashion, they are serving the consumer in the optimum manner, for he wants goods brought to

him from great distances at low costs.

But, it may be objected, could the railroads not greatly increase their profits by basing their rates on per-unit per-distance traveled? Of course, they could in the abstract; that is, if the volume of freight would remain the same for the higher rates that it would for diminishing rates, they would have every reason to charge those at greater distances proportionally higher rates. The only thing is that the volume would not remain the same, and any railroad management so shortsighted as to suppose that it would, might be expected to bankrupt the company in short order. This brings us to the second reason for the identity of interest between railroad and consumer: competition.

Aspects of Competition

Few things can have been more misunderstood than the nature of the competition with which railroads have been confronted. It is quite common to treat the matter as if competition only existed—prior to automotive and aeronautical transport—when two or more railroads connected with the same points. This is only one kind of competition and in many instances may be less important than others. One writer described the kinds of competition railroads

encountered in this way: "competition between carriers by rail, competition with rail and water lines, competition with water lines, competition between markets, or competition of product with product."² To which it might be added that passenger traffic is in competition with such other modes of transportation as existed plus alternative uses of money.

Some examples may help to clarify the kinds of competition involved. Any given locale may be in competition with other locales for a particular market. For example, one might consider the market for grapefruit in Baltimore, Maryland. Domestic grapefruit might be brought to Baltimore from Florida, from Texas, or from California. Florida is nearer than Texas to Baltimore, and both are nearer than California. Suppose there were only one railroad from California to Baltimore. It still could not charge whatever price suited it for hauling grapefruit. It would have to meet the rates of rail and ship lines from Florida and Texas. The same would be true, it must be clear, whether there were one or twenty lines from California to Baltimore.

² Henry Fink, *Regulation of Railway Rates on Interstate Freight Traffic* (New York: The Evening Post Job Printing Office, 1905), pp. 9-10.

Competing for Markets

The competition for markets is broader and more extensive than the above would indicate. The following is a description of it regarding other products and markets:

This competition is national and international in scope; not only does the wheat of Dakota compete in Chicago with that of Kansas and Nebraska, but the wheat of the United States competes in Liverpool with that of Canada, Russia, Argentine Republic and India. . . . The Pennsylvania and Virginia coal competes in New England with that from Nova Scotia; the various coal fields in the Alleghenies compete with each other; the Southern iron and Northern iron are competitors. . . .³

This competition for market applies even when only one railroad is involved. Distance from the market must be largely negated as a factor in charges for transportation if those farther from the market are to compete with those nearer to the market. For example, if farmers near Poughkeepsie had to pay twice as much as those near Peekskill, if those near Albany four times as much as those from Poughkeepsie, those near Syracuse three times as much

as those from Albany, to get milk delivered by railroad to New York City, the chances are good that milk from distant points would never have reached New York City. On the contrary, rates must be approximately the same from all these places to the destination. The railroads want to haul freight, and in order to make distant commodities competitive with those nearby, they will charge less on many occasions than would seem to be warranted by the distance.

Competition between products or services must also be taken into consideration. Not only are human wants extensive but also the means for gratifying them are numerous and diverse. The number of foods which, either singly or in combination with a few others, will sustain life and health are so many as to be unnumbered. There are numerous fibers from which to make clothes, a great variety of building materials, a considerable number of fuels, and so on. If the price of any one of these is raised significantly, alternative means are likely to be used to gratify the want. For example, if oranges become more expensive, apples may be substituted. The consumption of commodities for which the demand is elastic will decline as the price rises, particularly if it rises in proportion to

³ Charles S. Langsroth, *Railroad Cooperation in the United States* (Philadelphia: University of Pennsylvania, 1899), p. 85.

the prices of substitutes. This point is appropriate for passenger fares as well as freight rates. Whether one takes a trip, buys some stock, builds a new room on his house, purchases some new contraption, or what not, will be determined in part by relative cost as well as desire. Reduce the cost of travel, and the number of travelers and trips may be expected to increase, other things being equal.

All sorts of economies come into play to check the desire of railroad operators to arbitrarily set charges. It might be supposed, for example, that those within a community served by only one line would be at the mercy of the railroads on incoming freight. It does not follow. "Backhauling," as it is called, is most important to railroads. The incentive is to haul loaded cars in both directions, and in order to do that, charges must be kept sufficiently low for goods coming in as well as those going out.

The Incentives to Serve

It should be clear from the above exposition, then, that from the nature of railroading and the competition encountered the railroads had great incentive to provide extensive service, reduce the cost of transport, and serve the consumer in the best possible manner for the lowest practical price.

By so doing, they would be most likely to recover their fixed costs and to profit from their low variable costs. Any move toward higher charges and the reduction of services would tend to reduce traffic, make it more difficult to meet costs, and work to the disadvantage of the railroads. The historical record tends to substantiate what theory would predict. So long as the railroads were free to do so, they did extend their facilities, improve service, reduce costs, and lower their rates.

Most of the charges against the railroads of discriminating among customers as reasons for regulation are predicated on misconstructions of the nature and purpose of railroading. Of course, railroads did and do discriminate among their customers. One writer put it this way some time ago:

Discrimination is the underlying principle of all railroad tariffs, whether they have been established by State railroad commissioners, or by the railroads themselves. This is so necessarily. Were it otherwise, railroads could not be successfully operated. Instead of promoting and facilitating commerce, they would hamper and obstruct it, and cause great injury to the public.⁴

Some of the reasons for this should now be easy to see. They discriminated between those dis-

⁴ Fink, *op. cit.*, pp. 102-03.

tant from the market and those nearer by in order to make the more distant products competitive, between large shipping centers and small intermediate points because of low variable costs, between one product and another depending upon the particular exigencies, between those making large shipments and those making small ones because of various economies involved, and so on.

It was alleged that these discriminatory practices obliged small shippers from small communities not served by competitive lines to pay not only their own way but a part of that of those more favorably located as well. The way to check on this would be to see how much it would cost to provide service to small communities, intermediate points, and those near to market without the other traffic. It would not be difficult to see that in view of the high fixed costs, the low variable costs, and the income from large shipments over a long distance, the railroads would have to charge much more for local service than they did. There is some historical evidence to support this. As government has tried to reduce such discriminations by regulation, the railroads have consistently reduced their local service and discouraged small shipments.

Railroads also discriminated by

giving free passes to some people. This practice should be considered as a not very subtle effort at public relations by the railroads which backfired. Free passes were frequently granted to clergymen, newspapermen, politicians, and anyone else in a strategic position to render favorable judgments on them. In effect, the railroads were lobbying to try to prevent punitive action by governments. Not only did the tactic fail but it became another source of discontent with the railroads. In this case, as in so many others, reformers turned the means by which a business attempted to defend itself from government interference into justification for further regulation.

Discrimination and Competition

Rebating was a kind of discrimination; but it should be discussed in connection with competition, to which we may now turn for an examination of the charges about it. Why would the railroads give rebates to certain shippers? Why would they not, instead, simply lower the charge? In the absence of government regulation, they could have charged any shipper whatever rate was mutually agreeable.

In the main, what led to rebating before 1887 — the year when the Interstate Commerce Act was

passed — was the practice known as pooling. Pooling was a device got up by the railroads in a particular area to establish rates between competitive points and to avoid price competition among lines in direct competition with one another. There were two sorts of pools: those in which rates were agreed upon and the traffic divided according to some ratio among the railroads, and those in which receipts were divided among the roads according to some formula. Rebates were means by which railroads secretly competed with one another within a pool, though if the agreement called for a pooling of receipts the incentive to do this was greatly reduced.

Pools were not illegal according to the common law, which in the absence of positive legislation would generally prevail in the United States. The courts would not break them up; neither, however, would they enforce the agreements. Pools had no more standing before the law than, say, did gambling debts. Pools were usually short-lived arrangements, but competing railroads were continually trying to reorganize them after they broke up.

Why did railroad men organize pools? The answer is simple: in order to avoid the requirements of competition. Why did railroad men give rebates and withdraw

from pools? The answer again is simple: in order to compete. To resolve this apparent contradiction, yet another facet of competition must be examined along with the historical conditions within which the railroads were operating.

Let Others Compete

There is one side of competition that rarely draws comment. It is this: probably no one likes competition in his own particular undertaking. On the other hand, almost anyone can be convinced of the desirability for others to compete. It is easy enough to understand why this is so. To compete means to offer as good or better services than others, to become and remain efficient, to stay abreast of the competitor's methods and technology, and to lose out when others can do the job better or less expensively. Interest groups usually arise from one of two (or both) reasons: to protect themselves from government, or to get some advantage from government. One of the advantages — the central one — sought from government — is to be relieved of the necessity of competition.

Reformers were not the only ones ambivalent about competition; railroad men were, too. There is a considerable literature in the late nineteenth and early

twentieth centuries, some portion of it in sympathy with the railroaders, detailing the "horrors" of competition and calling for government action to abate it. Among the horrors attributed to competition were rebating, rate wars, bankruptcies, and general instability. What many railroad men would have liked would have been for the government to enforce their pooling agreements as contracts, that pools be legalized. Much evidence was gathered which purported to prove that pools did not result in higher rates. Yet, every rebate granted tended to prove the opposite.

Mistaking Symptom for Cause

The facts used to support the claims about the horrors of competition were quite valid. There were rate wars, rebates, bankruptcies, and many railroads in shaky condition. To blame competition for these, however, is to mistake the symptom for the cause. Rate wars are bargain sales or clearance sales; such sales, if they are genuine, are the result of either overproducing or overpricing. It is generally agreed that there was much overbuilding of railroads. The main reason for this was government aid. Several things may have contributed to prices being too high at any given time: pool-

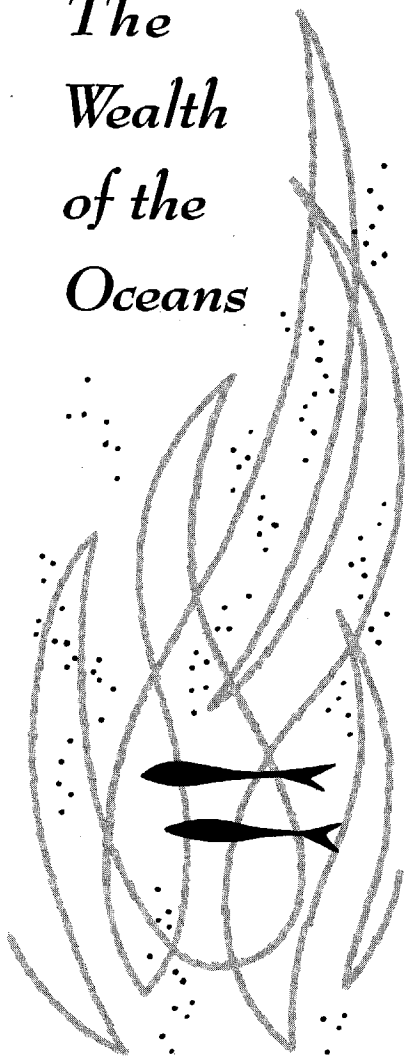
ing, too many roads serving a given area, or inefficiencies of some of the railroads. But one cause may well have led all the others: drastic reductions in the money supply. In such a case — as in the early 1870's and early 1890's — drastic reductions in rates would have to occur in order to continue to keep as much traffic as formerly.

Rate wars, rebates, instabilities, and financial failures were effects not causes. They were effects not of competition but of tamperings with the market, tamperings by governments and the railroads. Competition was the cure, the means by which the adjustments would be made to offset the interferences, adjustments which would mean the triumph of the efficient, the reduction of rates, the consolidation of lines into larger systems, and the providing of the optimum service to the consumer.

Those who proposed government regulation and restriction of the railroads were calling for combating phantom and illusion. They confused effects with causes and cures with disease. They misunderstood the exigencies of railroading and the nature of competition. Their laws reflected this confusion and when put into effect produced the opposite of what should have been wanted. ☉

Next: Early Regulation — 1887-1918.

The Wealth of the Oceans



THE OCEANS cover 71 per cent of the earth's surface; the Pacific alone measures 64 million square miles, more than the total land area of all the continents combined. As the world's population inexorably increases, and the land becomes ever more crowded, its food-producing capabilities increasingly strained, and its mineral resources reduced towards depletion, it is reasonable that man will look toward the sea as a new frontier to use and conquer.

And well he might, for the sea is incomparably rich in oil, minerals, and sources of food. Offshore oil wells already produce one-fifth of the world's oil and gas; by 1980 they are expected to produce one-third of the total. Since 1946 U. S. companies have drilled over 10,000 wells off the coasts of the U. S. alone, and have invested over \$13 billion in offshore exploration and development. Offshore drilling is proceeding in 27 other countries and surveys are underway in 50 others.¹

The oceans act as a huge storage

¹ "The Physical Resources of the Oceans," Edward Wenk, Jr., *Scientific American*, Vol. 221, No. 3, September, 1969, p. 166.

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tank for minerals washed from the land by rivers and streams. Each cubic mile of the 350 million cubic miles of seawater contains 165 million tons of solid material—including all major industrial metals. At present, only sodium chloride (table salt), magnesium (\$70 million worth annually), and bromine (70 per cent of the world's supply) are being produced commercially from sea water in large amounts.

Sulfur occurs in "salt domes" located on the sea floor, and can be mined by the simple technique of piping a stream of superheated water into the dome. The heated water melts the sulfur, which is then forced up by compressed air. Current U.S. offshore production is worth \$37 million annually, but the serious world-wide sulfur shortage is likely to lead to a large-scale expansion of offshore production.

On the sea floor, at depths of 1,000 feet or more, lie numerous ellipsoids of metal, from one to three inches long. Because they generally consist of from 20 to 40 per cent manganese, they are known as manganese nodules. Other components of the nodules include iron, cobalt, nickel, and copper. Since manganese, used primarily in steel production, is not found in the U. S., there is a great deal of interest in mining the

nodules, particularly those found relatively close to the coast.

Besides oil and minerals, the oceans are a valuable source of food. At present approximately 55 million metric tons of fish—about \$8 billion worth—are caught each year.² Over half of this total is turned into meal and used as animal feed. All countries possessing a shoreline participate in ocean fishing, but about 75 per cent of the total is harvested by 14 countries, each of which produces over a million tons per year. The growth rate of fishing yields continues to be greater than the growth rate of human population, one of the few foods for which this is the case. In view of the huge area of the sea, compared with diminishing amounts of arable land, fishing is likely to become a growth industry in the decades ahead.

Current Ocean Technology

While the U. S. government has been spending billions of the taxpayer's dollars on a crash program to explore outer space, private businessmen, both here and abroad, have quietly been spending millions of their own developing new technology for exploiting the oceans. Within the last decade,

² "The Food Resources of the Oceans," S. J. Holt, *Scientific American*, Vol. 221, No. 3, September, 1969, p. 178.

a number of substantial breakthroughs have been made—in transport, exploration, and production methods—which themselves are only a foretaste of what is to come.

In ocean transport, the sixties have been the decade of the super-ship—container ships and tankers with as much as ten times the capacity of the ships of the fifties. The economics of these vessels are such that it is cheaper to haul Middle-East oil around the tip of Africa via supertanker than it is to send it by conventional tanker through the Suez Canal. Along with the supership has come the development of vastly more accurate navigation systems. Such devices as self-contained inertial navigators (as on jet airliners), hyperbolic radio navigation systems (such as LORAN and OMEGA), and orbiting satellite position-sensing have made it possible for a ship in mid-ocean to know its position to within 0.1 mile or less (an improvement of more than 10 times over earlier methods). Thus, it is increasingly possible to think in terms of well-defined regularly traveled sea “highways.”

Progress in undersea exploration has been even more spectacular. Within the last ten years a new type of undersea vehicle has been created—the “manned submersible.” This is a vehicle de-

signed specifically for undersea exploration, self-propelled and self-sufficient, in some cases with underwater hatches and various “manipulators” (remote-controlled arms and/or tools) for working on the sea floor. A few of these vessels have been Navy research craft, but for the most part they have been designed, built, and operated by industrial firms. Some of the better-known ones are North American’s “Beaver” (2 men, 1,000’ capability), Westinghouse’s “Diving Saucer” (2 men, 1,000’) and “Deep Star” series (3 men, varying depths to 20,000’), Lockheed’s “Deep Quest” (4 men, 6,000’), and Reynolds Metals’ “Aluminaut” (6 men, 15,000’).³ These vehicles are being used for research into all aspects of undersea operations—vehicle design, human performance underwater, mining and mineral prospecting, biological data-gathering, et cetera. These projects and the Navy’s Tektite and Sealab experiments will provide man with a vast new capability for living and working under the sea.

Improved Production Methods

The third major area of underseas technological progress is in production methods, the single

³ “Manned Submersibles,” L. S. Linderroth, Jr., *Mechanical Engineering*, June, 1968, p. 32.

greatest advance being in deep water drilling ability. Although offshore drilling has rapidly expanded in the past decade, platforms have been in relatively shallow water, firmly founded on seabed. Recently, though, drilling companies have developed floating platforms, from which they can drill in deep water, despite buffeting from wind and water. One semisubmersible variety makes use of water-ballasted tanks to sink the lower structure sufficiently beneath the turbulent surface to render it isolated from wind and wave motions.

Another technique, typified by the Scripps Institute of Oceanography's "Glomar Challenger" ship, uses specially modified drilling ships. To keep this sort of ship motionless over a drilling site, it is equipped with fore-aft and port-starboard thrusters, sonar position-sensors and a central computer which monitors the ship's position via the sensors and sends correction signals to the thrusters. To date the Glomar Challenger has successfully drilled in waters up to 17,000 feet deep.⁴ This means that the distinction between the continental shelves and the deep ocean is no longer meaningful, as far as oil drilling is

concerned. Whereas the continental shelves comprise about 10 per cent of the sea floor, fully 98 per cent of the sea floor is less than 20,000 feet deep, and is therefore potentially available for oil drilling.

Various ore-mining ventures are in an earlier stage of development; nonetheless, American companies have committed substantial amounts of money. One of the largest ventures to date, Deepsea Ventures (a subsidiary of Tenneco), has committed \$200 million toward a six-year ocean mining research and development effort.⁵ Already the firm has developed a prototype mining system capable of excavating the sea floor one mile down. Also in development is a rig of three-mile depth capacity. Again, of significance is the imminent accessibility of not just the continental shelves, but virtually the entire sea floor.

Developments in Food Production

Significant developments are being made in food production, as well. In addition to the continued expansion of commercial fisheries, new products are being developed and marketed. One example is the production of sodium alginate from seaweed. Companies like Australia's Alginates operate large

⁴ "Technology and the Ocean," William Bascom, *Scientific American*, Vol. 221, No. 3, September, 1969, p. 199.

⁵ "Ocean Firm Launches \$100-200 Million Mining Venture," *Ocean Industry*, March, 1969, p. 66.

harvesting ships to gather kelp, which is processed in factories to produce sodium alginate (used in instant puddings, salad dressings, cake mixes, beer, and other processed foods).⁶ Another example is the recent commercial development of fish protein concentrate (FPC) in the U. S. FPC is produced by grinding up "trash fish" such as hake and processing it to yield a highly nutritious powdered food supplement containing about 75 per cent protein. Originally developed by the Bureau of Commercial Fisheries, FPC is now being produced commercially by companies such as Alpine Marine Protein Industries.⁷ One of the company's first contracts was for 11 tons of FPC purchased by one of the organizations aiding Biafra. Given the extremely low cost of FPC (relative to other protein), and the huge need for protein in much of the world, the market for FPC appears to be vast.

The Legal Regime of the Seas

Throughout history international law has considered the seas beyond the jurisdiction of any state. The general rule has been "freedom of the seas," the right of anyone to use the ocean for navigation,

trade, and fishing, limited only by the boundaries of each nation's small offshore area (until recently either a three-mile or twelve-mile buffer zone).

A new trend began, however, after World War II. In 1945 President Truman asserted that the U. S. possessed exclusive title to the resources of the continental shelf surrounding the U. S. Although Truman's proclamation excluded any claims to jurisdiction over the water overlying the shelf or any restriction on navigation, the example had been set, nevertheless. In short order, Ecuador, Peru, and Chile made new claims to offshore territory, out to distances of as much as 200 miles. In each case, Truman's declaration was cited as a precedent. In the case of Ecuador and Peru, the jurisdiction included both the water and navigation rights, in an effort to protect their fishing industries. Various American fishing interests have recently urged that the U. S. make a similar declaration to keep European and Russian trawlers out of the New England off-shore fishing areas.

This type of bickering led to the 1958 Geneva Conference on the Law of the Sea, attended by delegates of most maritime nations. The conference worked out an agreement on the continental shelf, which defines the shelf as

⁶ "Harvesting Seaweed Off Australia," *Ocean Industry*, March, 1969, p. 69.

⁷ "Fish Protein Concentrate Production Is on the Rise," *Ocean Industry*, January, 1969, p. 36.

"the seabed and subsoil of the submarine areas adjacent to the coast, but outside the area of the territorial sea, to a depth of 200 meters or, beyond that limit, to where the depth of the superadjacent waters admit of the exploitation of the natural resources of the said area."⁸ The conferees agreed that the seabed so defined is under the exclusive jurisdiction of the adjacent nation's government.

At the time of the Convention, the above definition closely approximated the area commonly meant by the term "continental shelf," since exploitation of resources at depths below 200 meters (665 feet) was considered fairly unlikely. As previous paragraphs have pointed out, however, technology has made major advances in the last decade, to the point where the 1958 wording now implies that the continental shelves are virtually unlimited, extending as far into the deep ocean as a nation's technology will permit. As a result, there is increasing discontent with what now appears to be a very imprecise definition. Consequently, the past several years have seen an extensive round of conferences on the subject, such as 1969's Law of the

Sea Institute Annual Summer Conference, the Marine Technological Society meeting in Miami, and the Italian International Regime of the Sea symposium.

In 1967 the government of Malta introduced a proposal in the UN that would assert the UN's jurisdiction over, and ownership of, all deep-sea resources, to assure that "all mankind" would benefit from them. After several years of discussion, on December 16, 1969, the General Assembly adopted (62 to 28) a resolution stating that pending establishment of an international regime for the seabed, states and individuals were "bound to refrain" from all exploitation of the seabed beyond territorial limits. In addition, "no claims to any part of that area or its resources shall be recognized."⁹ The reaction from American industrialists? Of course: silence.

Nationalists vs. Internationalists

The controversy, to this point, has revolved around two "opposing" views. The nationalists, on the one hand, favor an extension of the sovereignty of existing nation-states into the deep seabed, in order to protect and regulate the activities of the companies

⁸ "Alternatives for Ocean Policy," Norman J. Padelford, *Technology Review*, July/August, 1969, p. 35.

⁹ "UN Votes to Stop Civil Seabed Uses," *New York Times*, December 16, 1969.

and/or agencies of those countries. The internationalists, by contrast, favor the expropriation of the deep seabed by an international agency, with much of the proceeds from commercial exploitation going to aid government programs in undeveloped countries.

This is a classic example of the fallacy of false alternatives. The issue is invariably presented in terms of "who should control seabed exploitation and how should the resources be divided up?" rather than asking *whether* it should be controlled and whether anyone other than the entrepreneur has the right to "divide up" the resources. For in fact there is a third alternative — a libertarian alternative — based firmly on rights, rather than feelings.

No one has the right to grant leases or concessions or drilling rights to that which he does not own, no matter how powerful his armed forces or how needy his constituents. The resources of the seabed are *unowned* resources, at present nobody's property, and therefore the property of whoever first successfully extracts them.

How would this principle work in practice? Wouldn't there be chaos, piracy, and warfare? No. There is no reason why peaceable development could not come about without government sovereignty over the seabed. First of all, no

nation now claims sovereignty over the *surface* of the oceans — yet all nations freely use the seas for trade and commerce. Would trade be more peaceable if the UN extracted tribute from all ships which wanted to use the oceans? The suggestion is absurd, because freedom is so obviously superior to force. "Freedom of the seas" has a long history, violated at times, but generally adhered to, because it is in the long-term interest of all.

The seabed *does* pose problems not present on the surface, such as the (ultimately) limited amount of area to which claims may be laid. But past human experience provides some guidance. The seabed is a frontier area of unclaimed "land," much as the American West once was. With little formal legal theory and the barest minimum of government available, the early pioneers developed reasonably just concepts for defining ownership of this new frontier land. Several of these are worth examining for applicability to the seabed case.

Mining Claims

Nearly everyone is familiar with the archetypical Western prospector, who roamed the unowned property of the frontier, searching for gold or silver. When he found a promising spot, he "staked

out a claim" to a piece of land of a size he could work, and registered it with the authorities. If first to register a claim, he became the owner. He could not go out and make wild claims to huge amounts of territory; he established a claim by *working* the property in question. It became his through *use*. Objections might be raised to certain details of the way the process was handled in the early West. The important point is the principle involved — that of ownership arising out of *original usage* of a particular plot of land.

The same principle is equally applicable to the seabed. Modern digital information storage and retrieval systems, plus high-speed global communication systems and precision navigation and position-fixing systems, should make registering claims preventing "first-user" conflicts and pinpointing precise locations and boundary definitions eminently feasible. As for fears that "the few" will grab all the resources before "the many" have a chance to develop the technology, it is helpful to remember that the seabed comprises more than *twice* the land area of all the countries of the world. As long as no one can claim more than he can directly *use* (i.e., as long as governments cannot assert wild claims of "sovereignty"), it will

be a long time before the seabed is all "used up."

The principle involved in frontier homesteading was much the same as that in mining claims. A particular plot of land of a size suitable for farming became the property of the first settlers to live there and actually work the land. The fact that the U. S. government initially "owned" the land is really beside the point; the essential feature is the principle of ownership arising out of usage. The same principle would apply to any sort of habitation or farming of the seabed or continental shelves. The fact that, at first, probably only large companies could afford such ventures has no bearing on the principle involved.

Open Range

Another frontier principle with direct applicability to the ocean is the concept of the open range. For many ranchers, building fences to restrain their herds would have been both expensive and self-defeating, since it would have severely limited the amount of grazing land over which the herds could roam. It was in the interest of all the ranchers to let the cattle herds roam freely over all the open range. In order to keep track of ownership, each rancher devised a unique brand, with which he marked all his

cattle. The ranchers respected each others' brands and cooperated to prevent cattle rustling by thieves. The cattle could thus move as required to good grazing land, without loss of ownership identification.

Much discussion has taken place in recent years about conservation of commercially-valuable marine life. Whales, in particular, are feared to be nearing extinction and even certain food fish (such as tuna, cod, herring, and perch) are considered "overfished" in certain areas. The usual conservationist "answer" is to forcibly impose restrictions on the size of catches or the efficiency of fishing methods. Yet this is essentially a negative, preserve-the-status-quo approach (besides being a violation of rights). Had men taken the same approach with land animals (i.e., "conserving" wild cattle, pigs, and chickens for hunting), the world could support only a fraction of the population it supports today, through animal husbandry. Obviously, the same approach will eventually have to be applied to marine animals.

For large marine animals, such as whales, seals, sea turtles, and tuna, the open range concept can be applied, with the entire ocean substituted for open grazing land. Just as the ranchers found it wise to let their domesticated herds

roam free, so might the aquaranchers of the future. Identification of the animals is not impossible: whales could actually be branded, although a better solution for all large marine animals might be to implant microminiature transmitters in the young, permitting the movement of individuals or schools to be monitored continuously. Arthur C. Clarke, in his novel, *The Deep Range*¹⁰, suggests that small manned submarines could be used for undersea herding, thus completing the open range analogy.

The aquarancher's return on his investment might be substantially improved if he raises large numbers of fish in captivity before turning them loose in supervised herds. The number of baby fish reaching maturity is only a minute fraction of the number hatched, due to predators and other hazards. By constructing large undersea net-pens, and using the same mass egg-fertilization and fish culturing techniques used in raising trout and other inland fish, the aquarancher could increase the annual catch by orders of magnitude. Smaller species could be raised entirely in huge undersea net-pens, again with vastly improved yields.

These few examples are meant

¹⁰ Arthur C. Clarke, *The Deep Range*, Harcourt, Brace, 1957.

as illustrations of the possibilities inherent in a situation where freedom, rather than force, prevails. Their realization requires no "sovereignty," hordes of bureaucrats, or volumes of regulations; it requires only that "freedom of the seas" be extended to the seabed, i.e., that all involved in undersea development recognize the rights of all participants on a first-come/first-served basis. Disputes which arose could be referred to the Permanent Court of Arbitration or the International Court of Justice at the Hague, as maritime disputes have been for many years. Defense of various seabed installations could be provided by the navies of each installation's home country (if any), or by the participants themselves. Indeed, one of the more interesting prospects of a free seabed is that new cities — free ports — may be created, independent of and unhampered by any state.

Before Governments Take Charge, Why Not Try Freedom?

In most spheres of human action, the state is already firmly established, with its vast array of rules and regulations, layers of bureaucracy, and well-established penalties for transgressors. With the seabed, however, the state is very late in catching on to what technology is making possible. As

the foregoing has pointed out, much of the technology needed for deep-seabed exploitation is already in existence. The rapid establishment of operational drilling, mining, and living installations on and under the sea would confront the statist with a *fait accompli* which would make any opposing action on their part much harder to pull off.

It is interesting to note that both the U. S. and Russia opposed the recent General Assembly resolution calling for a moratorium on seabed exploitation, as did many of the governments of Europe. Thus, those nations whose engineers and industrialists already have the means to exploit the seabed could easily proceed on their own to set up a data bank for registering individual claims to seabed property (on the basis of *use*), and agree to arbitration of disputes by the international Court.

The statist has had their chance: they have spread their coercive bureaucracies over every square mile of land on earth. The oceans represent man's second chance — perhaps his last — to solve the environmental problems that, unchecked, threaten his extinction. It is time — past time — that men of integrity stood up and said, "Enough!" *Laissez-faire*: hands off the sea. ●

The "POWER" Problem on Campus

An Economist's View ISRAEL M. KIRZNER

MUCH of the current crisis atmosphere in the universities revolves around the question of the locus of power—student power and faculty power. From all sides, one hears the opinion expressed that students and faculty, who have until now languished passively under authoritarian college administrations and boards of trustees are entitled to share in the running of their university. A democratic university—one which permits faculty and students to participate in the host of administrative decisions which affect their lives—requires, we hear, a massive structural revision in the

direction of greater direct student and faculty power. And there is no doubt that a feverish rush toward "democratization" is already under way on the part of college and university trustees and administrations fearful of campus disruptions by students and even by faculty.

In this writer's opinion, this tendency is—quite apart from the issue of disruptive and violent tactics—a most unfortunate one, the result of badly confused thinking on the role of the university in society, and likely to be responsible for serious deterioration in the quality of higher education in this country. Let it be emphasized that what is being criticized here is not at all the very sensible opinion that student and faculty views should help determine university decisions in a meaningful way. The error, as we will discover, lies instead in the naive demands for

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a sharing of the *ultimate* responsibility for the university with faculty and students.

The attitude underlying the contemporary cries for greater student and faculty power is something like the following. The university is seen as a kind of self-governing community — comprised of administrative, faculty, and student members. However, the government of this community has until now been concentrated almost exclusively in the hands of the first of these groups: the administration — a group which is, in turn, answerable to the trustees or a similar body. Students and faculty, although they spend years of their lives in this community, have until recently been treated, in effect, as children, with the most important aspects of university life legislated upon without their being consulted in any meaningful way. Democracy requires a change that will replace government by trustees and administrators with a government in which all the member groups of the community will participate. Campus stability requires that university rules be formulated on a procedure that ensures that student and faculty views be taken into direct account. (More extreme versions of this attitude would relegate administrators to an even more insignificant role.)

Responsibility for Resources

But this attitude completely misunderstands the economic relationship between the university and society in general. This attitude might be an appropriate one if a university were an economically independent entity, that is to say, if its ability to support its activities were unrelated to the character of these activities. If this were the case, arguments in favor of "democracy" within the university might perhaps carry weight. But, of course, the reality is quite a different one. The university, in order to carry on its activities, must compete for economic resources with alternative social purposes. It must, therefore, like other enterprises, win support for its activities by virtue of the importance of these activities *to others*. Ultimate responsibility for the university, then, does not and cannot mean merely the responsibility to act as steward over *given* resources — which responsibility might then, at least in principle, be shared jointly with faculty and students. *Ultimate* responsibility for the university must mean the responsibility both to *marshal the resources necessary* to carry out the declared purposes for which the university is intended, and to *deploy these resources* in a manner faithful to the declared purposes. To fail to see this simple

truth is to be hopelessly unrealistic.

That this simple truth may be an unpalatable one is not surprising. The economist is accustomed to reactions of outraged shock whenever he points out that some noble and lofty goal competes for resources with other important purposes — and must justify its claim to these resources. But to the eyes of the economist, a refusal to recognize the importance of calling attention to such mundane matters as the need for justifying resources used, is worse than to be airily unrealistic and naïve; it borders on an arrogant conviction that all the other purposes of people in society must bow unconditionally to the needs of the university, no matter how or what the university turns out to be.

**Organized for Profit
or for Philanthropic Purposes**

Who *should* bear the ultimate responsibility of marshaling and administering the resources needed for the university? In a free society this question is an inappropriate one. In a free society *anyone* may, if he chooses, act as an "entrepreneur." Anyone may, if he believes himself able to undertake the task, set out to build the institution he chooses. To do so he must convince owners of resources that it is worth their while

to entrust their resources to his stewardship. He may, conceivably, be able to do this on a strictly businesslike basis, he may be able to produce a saleable brand of education for which students are willing to pay sums sufficiently high to return a profit to investors. In this situation what is chosen to be produced and sold is a brand of schooling, carefully attuned to the needs of the prospective employers (reflected by the salaries that prospective graduates can expect to command), to the tastes of the immediate consumers — the students (as reflecting their willingness to undergo the rigors of the course of training being offered), and to the attitudes of the teachers (as reflected in the salaries and working conditions for which they are willing to sell their teaching skills). In such cases the paramount importance of paying careful attention to student and faculty opinions is abundantly clear — without, of course, the slightest need to share ultimate responsibility with anyone.

Or the "entrepreneur" may, on the other hand, persuade owners of resources to invest in an institution which cannot promise to return a pecuniary profit on investment. To do this he must convince philanthropic resource owners that his institution will fill a social need

which these philanthropists are prepared to support. In this situation what is chosen to be produced by the entrepreneur will be a brand of schooling which not only reflects, in part, the attitudes of prospective employers, students, and faculty, but reflects also the philanthropic goals of the resource owners.

Of course, the "entrepreneur" may well be one of the resource owners or one of the consumers. He may be a teacher or a student, or a group of teachers and/or students. Who the "entrepreneur" is does not affect the basic relationship between the individual responsible for the institution and all those affected by its activities. Ultimate responsibility for the university, as for any enterprise or institution, will, in a free society, inevitably tend to come to rest in the hands of those able to choose successfully a mix of educational inputs and a mix of outputs that yields a return — whether in the form of pecuniary yield, or in the form of the psychic satisfaction to the philanthropist (who "enjoys" contributing to what he considers to be the betterment of society, or to the advancement of what he considers to be significant knowledge). It may well be that the successful "entrepreneur" of the university will be he who knows how much power to delegate to

faculty and to students. But the ultimate responsibility must be his who is able to convince "investors" that he can secure them a return.

The State as Entrepreneur

The possibility of state-supported universities does *not* alter the picture. The state may act as "entrepreneur" for the universities, raising the necessary support by taxation. Presumably taxpayers exercise, through their representatives, control over the purposes which they are supporting with their tax dollars. In a democratic society, the justification for the taxation must lie in the quality of the institutions supported.

No matter, then, how a university happens to be run — whether as a profitable business, a philanthropically supported institution, or a state-supported institution — decision-making must relate output to the mobilization of the resources necessary for input. As far as prospective new institutions are concerned, anyone — not excepting prospective faculty, students, or janitorial staff for that matter — may seek to set up institutions which they believe can justify support. Their convictions can then be tested against competition in the relevant markets — the market for teachers, for graduates, for students, for philanthropic support, or in the competitive arena

of those seeking government subsidies.

For anyone to attempt to control, or to share in the control, of an *existing* institution, is however, quite another matter. Anyone may, of course, seek to persuade the present entrepreneurs — be they trustees, administrators, or whatever — of his own eligibility and suitability to run the institution. Times change, the tastes of students, teachers, and philanthropists change, and it may be entirely in order for an existing institution to change its direction. But such a bid, for a change in the pattern of control, cannot rest on grounds of “democracy” — which simply have no relevance in this context (except as a possible tool to be used by the entrepreneur to further the purposes of his institution). Such persuasion must rest on the ability to achieve, with superior efficiency, those goals selected by the entrepreneur as feasible in the light of the market constraints that are operative.

To demand that control over an existing institution be surrendered, in whole or in part, is to demand that one set of entrepreneurs arbitrarily — that is, without reference to the degree of success with which the “investors” can be assured a “return” on their investments — hand over their enterprise to another set. The ironic

tragedy of such a demand does not lie, perhaps, so much in its trampling upon existing property and other rights as in its threat to the very future of the relevant institution. As soon as the direct entrepreneurial link between the supporters of the university and the university itself is severed, the university is in jeopardy.

Breaking the Link Between the Institution and Its Supporters

It is not difficult to understand the reasons why the demands for student and faculty power have gained currency despite the above considerations. The naïve observer is not fully aware of the necessary link between the institution and its supporters. Very often an atmosphere is deliberately fostered to mask the dependency of the university as an institution upon outside, private or government support. Faculty and researchers are extremely jealous — and rightly so — of their independence from trustee, donor, or government interference with their work. But the wholly justified insistence that the supporters of education understand and respect the intellectual integrity of those whose educational endeavors they sponsor, has become transformed into the spurious notion that the supporters of education do not (and certainly should not) exercise ultimate re-

sponsibility for the uses to which their resources are put.

The illusion has resulted that the university is costless or at least, that its activities, whatever they may be, can somehow be carried on regardless of cost. But the basic economic fact of life remains that in a free society ultimate control over the university *does* inevitably rest in the hands of those able to convince supporters of the worth of their final educational product. Only in an atmosphere in which a conceptual gulf separates the need for support on the one hand, from the substantive activities of the university on the other hand, could the current view of the university as an insulated island, an isolated community of scholars and students, arise.

Continued efforts to treat the university as an economically independent entity can only tend to bring about results that must be described as disastrous. To the extent that the power changes forced by student or faculty pressure result in an institution out of line with the goals of its supporters (private or government), the outcome must inevitably be a tendency towards the erosion of their support. A university, the control of which is the issue between competing power groups, is *not* a given asset being contested for by rival claimants. An asset's ex-

istence does *not* depend on the identity or the motives of its possessor; a university's existence depends on the availability of support — which cannot be expected to be provided without regard to the purposes of those under whose stewardship the university rests.

Supporters May Share Responsibility But Cannot Avoid It

In a free society the erosion of the support for a given existing institution does not necessarily mean a long term net loss from the view of society. Support withdrawn from one institution may be available for the support of other, or new, institutions. But to the extent that established institutions suffer decay and decline, society itself suffers "short-run" losses (which may, by the by, persist for a long time). And of course to friends of existing institutions the prospect that eventually new institutions will emerge to replace the old, is small comfort. It is not merely the past supporters of the established institutions who suffer losses when they discover that their investments in these institutions have gone sour. The erosion of such support represents a social loss, to the extent that the capital sunk into these existing institutions obtained its value from the expectation of continued support.

The point being made here is not that the supporters of a university, philanthropic or governmental, *should* have the power to control the university. The point is simply that the economic facts of life mean, ultimately, that they *do* have this power. (And let it be noticed that from the neutral perspective of the economist, this ultimate control is not at all inefficient. With a given distribution of resources, a society "should" — as a matter not of ethical rightness but of efficiency — get the universities which are desired by those willing to make the sacrifices needed for them. And this does not prevent the economist from recognizing that what donors desire *may* be quite "wrong" from the educational and cultural point of view.)

Moreover, recognition of this ultimate economic control does not, at all, necessarily spell the impossibility of free academic inquiry. Hopefully, supporters will deliberately seek to shape an institution designed to promote free inquiry and to respect the intellectual integrity of its faculty and students. But we must recognize that

this is a hope which depends on the *willingness* to do so on the part of those whose resources support the university. (An entirely appropriate question in this regard is that touched on briefly by Professor Stigler in his well-known essay, "The Intellectual and the Market Place," of whether state support is more or less likely to conduce to an atmosphere of academic freedom than private philanthropic support.)

And once again, let it be stressed that supporters may well elect to delegate wide powers to faculty and to students. To differing extents this is, indeed, the almost universal practice. And it may be an entirely desirable policy to extend this practice further. The point being made here has nothing to do with this possibility. It deals only with the demands and procedures for power shifts within the university that rest upon the call for the *surrender* (partial or total) of the *ultimate* responsibility and power that rest on the supporters of the university. It is the calls for this kind of surrender which are both economically unrealistic and socially harmful. ☉



THE RADICAL

EARL ZARBIN

MY IMMEDIATE reaction to the newspaper headline, "Zarbin's Radical Right Ravings Embarrass Council," was bewilderment. I had not intended to embarrass, or to distress; I merely had hoped to explain why I was in opposition to a proposal, and to ask the council to consider my objections before deciding whether it would approve the ordinance.

What had I said that drew such strong reaction? I had gone before the city council to argue against the inclusion of health and safety standards in existing buildings (commonly known as a "housing code") as part of a revised Construction and Residential Safety Code ordinance.

I oppose a housing code for two reasons: 1) because it is an invasion of the use of private property; 2) because the acknowledged reason city officials and community "leaders" want it is to qualify the city for a variety of Federal aid programs, such as urban renewal

Mr. Zarbin is a newspaperman in Arizona.

and model cities, which I oppose. I told the city council:

"How a man lives inside his house, what sort of house he has, is not the legitimate business of the city council or its agents. . . . This city council has no charter to invade my home or to regulate my personal habits so long as what I do is not destructive to other human beings. If I want to live in a room without windows, that's my business. If I want to read by candlelight, that's my business. If I don't want to put a furnace in my house, that's my business—and it can be nothing but arrogance and know-it-allness for anyone else to presume to tell me how I should live. . . .

"The fact that the proposed ordinance would (temporarily) lack enforcement provisions does not lessen the provocative nature, nor does it reduce the insidious implications, of the ordinance. Moreover, to suggest or to hint, as it has been done, that the city would not attempt to enforce its provi-

sions to the fullest, is to expose the deceitfulness of those who so desperately want this council to enact a housing code. What purpose is there in passing an ordinance unless the city intends to use the police power to enforce it? The passing of laws is no game — it is a serious business, and this city council should realize that when it passes an ordinance it is throwing the weight of the organized police force against the individual citizen. This realization should lead the council to act with extreme care. . . .

"I do not want the fruits of my labor spent on restructuring this city — when there is economic justification for spending money for tearing down buildings, that will be done by the people voluntarily. For example, the First National Bank has torn down old buildings to replace them with a new building. The Valley National Bank is doing the same thing. Where there is economic justification, these things will be done, and they will be done without the mayor or anyone else holding a gun at our heads. But the people who want the housing code and Federal urban renewal programs are not satisfied with the pace for change made by free human beings working in voluntary cooperation. The people who want the housing code and the resulting Federal pro-

grams are social engineers, they are do-gooders who aren't satisfied with the rate of change brought by free people. Because the do-gooders have failed to sell in the market place their ideas on where our money should be spent, they have turned to the city government and to the Federal government to do it for them."

If, at First, You Don't Succeed . . .

I knew beforehand that my remarks would receive a chilly reception. The community "leaders" and city officials had been attempting to enact a housing code and to usher Federal aid programs into Phoenix for more than a decade. Twice, in 1963 and in 1966, when housing code proposals (and the anticipated Federal urban renewal projects) had been put to votes, the people had rejected them. But the agitation for a housing code and Federal aid programs as the only solution for Phoenix problems never ceased among city officials and community "leaders."

I have maintained that everything that has to be done in the community can be accomplished through voluntary cooperation, that it is immoral to use the police power to require individuals to contribute to projects they would not voluntarily support, that charity not given voluntarily is not charity.

Nothing that I had said sounded radical to me, but a young friend disagreed. Virtually everything that I had said, he had assured me, had been radical. I replied I couldn't understand why, since I considered what I had said to be in keeping with the precepts of the U. S. Constitution and the philosophy of freedom.

But I began thinking about it. Perhaps what I had said was radical. *Webster's Third New International Dictionary* includes these definitions of radical:

As a noun, "one that advocates a decided and often extreme change from existing, usual, or traditional views, habits, conditions, or methods." As an adjective, "marked by considerable departure from the usual or traditional. Tending or disposed to make extreme changes in existing views, habits, conditions, or institutions."

Back to First Principles

By these definitions, what I had said was radical, but only if government intervention had become the usual, or traditional, view. In arguing for voluntary cooperation in resolving problems, I indeed was suggesting "extreme changes in existing views," but only if collectivism was accepted as being dominant in our social and political habits. Sadly, the evidence

around us is that collectivism today is considered the social and political panacea.

In opposing government intervention, in advocating personal choice and responsibility, my words were *radical!* But if they really are radical, how deep, how broad, is the gulf between the thoughts of the men who produced the Constitution and the men who today proclaim themselves to be its inheritors!

Radical, as a noun, also means "one who advocates radical and sweeping changes in laws, institutions, and methods of government with the least delay."

In speaking to the city council, I did not advocate violent revolution to alter the "methods of government with the least delay." I do favor a change in the methods of the Federal, state, and local governments; I want them to cease using the police power to require us to accept "goodness" as it is conceived by those in control of government.

Although the process may be painful, slow, and frustrating, I believe that what has been done to this country through the ballot box can, and must, be undone the same way. I suppose this belief reduces the extent of my radicalism, but I cannot today envision a restoration of constitutional government by some other means. ☉

ABOUT THE AUTHOR

FOR OVER FIFTY YEARS, Henry Hazlitt has been active in the business world as a lecturer and prolific writer, specializing in the complex sphere of economics and finance. Author of *Economics in One Lesson*, *The Failure of the "New Economics": An Analysis of the Keynesian Fallacies*, and *What You Should Know About Inflation*, Hazlitt, with his insight into the intricacies of social economics, has the appreciation of specialists and laymen alike.

The author began his career as a reporter for *The Wall Street Journal*. He became Literary Editor of the *New York Sun* in 1925, of *The Nation* in 1930, and succeeded H. L. Mencken as Editor of the *American Mercury* in 1933. He subsequently wrote the financial and economic editorials for *The New York Times* until September of 1946 when he became writer of the "Business Tides" column for *Newsweek*. His twice-a-week column for the *Los Angeles Times* syndicate began in 1966.

But before all that, when he was 21, Henry Hazlitt's first book had been published — *Thinking as a Science*. It was written, he explains, because "I primarily wanted to teach myself how to think more efficiently, independently, and, if possible, originally. I had already sensed that 'he who teaches, learns.'"

When the book was republished 53 years later, in 1969, by Nash Publishing Corporation, 9255 Sunset Boulevard, Los Angeles, California 90069 (\$4.95), instead of extensive revision of the original text, the author prepared an Epilogue, reproduced here by permission. Hopefully, the reader will want to review the Introductory Course — read the entire book.

THE ART OF

I HAVE LEFT the text of the first edition of this book practically unaltered. But I promised in the Preface that I would outline in an epilogue the changes I would make today if I were writing an entirely new book on the same subject. Here is that outline.

As thinking is primarily an activity, an art, the new book would probably not be called *Thinking as a Science*, but, perhaps, *The Art of Thinking Scientifically*, or, simply, *The Art of Thinking*.

There would be one or two major changes from the present book, at least in emphasis. I am more and more impressed, as I grow older, with how little the individual could accomplish in any direction whatever if he had to depend entirely on his own unaided efforts. He could not survive his first few years of life without the help of his parents or guardians. He could

THINKING

not think at all (or only at the level of a chimpanzee) if he did not inherit from the society and civilization in which he was born the priceless gift of an already-created language. Without this he would not only be unable to reason logically, he would have nothing worthy to be called a "concept." He could not frame a sentence; he could not even name things. We think in words, even in conversations. Our language, concepts, and logic are part of the social inheritance of all of us.

This has several important corollaries. One of them is that before the individual can even dream of "thinking for himself," or solving a simple problem, he must first acquire at least an elementary knowledge of what mankind has already learned, discovered, or invented before him. Even if he receives what is called a good mod-

ern education, it will take him till the age of eighteen or more to acquire even the rudiments of what he needs to know.

So my new book would emphasize far more than my previous one the need of extensive reading and study before the reader can profitably launch on "thinking for himself" or arriving at "independent" conclusions. That, of course, should always be his goal; but the road to that goal is long, hard, and often roundabout.

How to Study

My new book would therefore have a chapter on "How to Study." One of the topics considered in it would be the possibility of increasing one's reading speed, and the methods of achieving this. But my new book would emphasize what some of the teachers of the new "speed reading" methods unfor-

tunately do not—the necessity that the student learn to “change gears,” i.e., to learn to read different matter at different speeds depending on its nature, importance, and difficulty, as well as on the reader’s purpose in reading it.

One of the chief problems of study, in fact, is how often the student should reread a textbook or a particular passage of it, or how often he should go over substantially the same material in other books. In studying a foreign language, for example, the reader may have to come across the same word or phrase again and again before he is able to translate it on sight, and he may have to see or hear it many more times before he can use it unprompted in a sentence framed by himself.

Knowledge of a foreign language, in short, is not really knowledge until it has been thoroughly assimilated, or *worked in*. This is no doubt widely recognized. But what is much less widely recognized is that this is not merely true of a language but of practically any other subject. A doctor is seldom a good doctor when he has just graduated from medical school, even though he may already have been over much verbal material with dreary repetition. Not until he has served as an intern, or been in private practice a couple of years, and so gone still

more over the same ground and again and again encountered the same or similar problems, is he likely to achieve a quick and confident recognition and interpretation of symptoms.

A student of algebra may be taught how to extract the square root of a polynomial, and may be intelligent enough to follow the demonstration the first time, but it will probably not be until he has extracted many square roots of many polynomials that he will really feel confident he knows how. The student of languages, as well as the student of math, or a doctor, or a pianist, soon finds himself slipping backward if he ceases to study or practice. Our memories are not what they should be. A little of our knowledge is constantly oozing away. Knowledge and skill cannot be retained, let alone increased, except by constant addition, renewal, and refreshment.

I might also in this “How to Study” chapter give some hints to the reader on how to set up a study program to teach himself a particular subject, but in this epilogue I am postponing that to a later point. I may say here, however, that there are already some excellent books or pamphlets on how to study. The reader should find a wide range of choice in a college bookshop.

A man with a scant vocabulary will almost certainly be a weak thinker.

Language and Thought

My new book would have a chapter on "Language and Thought." I pointed out earlier that without language we would hardly be able to think at all. As the great nineteenth century philologist Max Mueller put it: "To think is to speak low. To speak is to think aloud."

The corollary of this is tremendously important. A man with a scant vocabulary will almost certainly be a weak thinker. The richer and more copious one's vocabulary and the greater one's awareness of fine distinctions and subtle nuances of meaning, the more fertile and precise is likely to be one's thinking. Knowledge of things and knowledge of the words for them grow together. If you do not know the words, you can hardly know the thing. We are told that the Tasmanian method of counting is: "One, two, plenty." This points to a very significant truth. Man could not even *count*, certainly not beyond the number of fingers on his hands, until he had invented *names and symbols for numbers*. For in speaking of the need for language for thought, we must, of course, include sym-

bols as an integral part of language. It is amazing how recent in human history are even the Arabic numerals, the denary system, and the elementary signs for addition, subtraction, multiplication, and division — not to speak of the myriad symbols now constantly used in algebra, geometry, trigonometry, differential and integral calculus, vector analysis, and other branches of higher mathematics. A single tiny symbol or formula — like that for zero, or π , or a function, or the square root of minus one, or dy/dx , or Einstein's famous $E = mc^2$ (energy equals the quantity of matter multiplied by the square of the speed of light) — can condense, sum up, fix, and hold forever a discovery that it may have taken mankind centuries to arrive at.

Words Sharpen Observation

A vocabulary increases and sharpens our observation, as sharp observation in turn leads us to increase our vocabulary. The student of nature who is learning to recognize bushes and trees finds his observation increasingly sharpened as he is told how to identify respectively an oak, maple, elm,

beech, pine, spruce, or hemlock. The name both fastens down the results of observation and tells him what distinguishing traits to look for. As a result of his knowledge, a countryman very seldom calls a specific tree simply a tree. The professional forester or nurseryman habitually makes even finer distinctions, such as that between red oaks, black oaks, and white oaks, or between Norway maples, Schwedler maples, and sugar maples.

Once again, when a student of nature has a leaf described to him, or wants to describe one, he finds himself immeasurably aided by a specialized vocabulary of description for certain characteristics of edge or form — dentate, crenate, serrate, ovate, obovate, lanceolate, oblanceolate, sagittate, orbicular, and so on. The more names that are mastered, the more is observation sharpened.

This intimate interdependence of language and thought exists in all fields of knowledge, from the simple and concrete to the most abstruse and abstract.

The highest thrill of the amateur bird watcher comes when he identifies a new species for the first time. He usually does this by comparing the new bird he has just seen with the pictures or descriptions in a bird book. But to be able to do this he has to ob-

serve very sharply everything he can — its size, shape, color, and markings, down to the minutest details, like the color and shape of its bill, its peculiarities of flight and song, and so forth.

When the bird student knows the *name* of the new species or its verbal description in a book he knows what to look for. His observation becomes keener not only for that time, but for the next time. By this process he finds his observation becoming ever more acute as his knowledge becomes fuller. The professional ornithologist, by a refinement of the same method, knows when he has discovered a species hitherto unrecognized by anyone. Whereupon he preserves his discovery, and makes it accessible to all, by giving the new species a name, accompanied by a full and precise pictorial and verbal description.

Identifying the Parts

Let us turn to still another field. The first thing the student of medicine is asked to do is to study anatomy. This means, at the beginning, to learn to recognize and name the hundreds of parts of the human body, from the *anulus inguinalis profundus* to the *vesicula seminalis*. It requires the dreary memorization of hundreds of names even to master what is called *gross* anatomy. When the

student comes to some special part, like the nervous system (not to mention microscopic anatomy), he must learn hundreds of more names. And he must learn this special vocabulary if for no other reason than to know what his professors are talking about. Later on, as, say, a medical researcher, he must know this vocabulary not only to explain his findings in a medical journal, but to make them in the first place.

One of the things that used to puzzle me as a youth was why even the greatest painters and sculptors, like Leonardo da Vinci and Michelangelo, thought it necessary to study artistic anatomy. Their eyes were sharp enough: couldn't they have painted just what they saw? The answer, as I have now come to realize, is that by learning the names, position, and description of the muscles, tendons, and veins in the normal human body *they knew what to look for and where to look for it*, and their naturally acute vision was sharpened still more.

What is true for the supreme genius is true for those of us who are less gifted. In a charming introduction to his book on birds, John Kiernan tells the reader that he had never seen a white-breasted nuthatch until he saw, on a bird card, a picture of one going down a fence post headfirst. The

next day he saw five different nuthatches at different places. They had always been around, but he had never before looked for them. He had been blind!

The reader has perhaps had the experience of looking at some object through binoculars or a magnifying glass and seeing details that he could not previously see with his naked eye; but on removing the glass he could still see them, because now he knew they were there. *The Arabian Nights* story, telling how Ali Baba could not open the door to the robbers' den until he had learned to say "open sesame," contains a profound moral. To be admitted to the realms of knowledge we must learn the right passwords.

Symbols of Communication

I remarked earlier that when I speak of "language" I do not have in mind merely words and sentences, but symbols, signs, and signals of all kinds used in human intercommunication. There are special symbols in every science; but I have particularly in mind numbers, notation, and other symbols of mathematics by which the results of mathematicians are made known to each other and without which, in fact, the mathematicians themselves could not even think mathematically. One authority, Tobias Dantzig, has written a book

called *Number: The Language of Science*.

There are still further corollaries to be drawn from the inextricable interdependence of thought and language. He who seeks to be a clear and precise thinker must also seek to be a clear and precise writer. Good writing is the twin of good thinking. He who would learn to think should learn to write.

One of the most important steps, to repeat, is to enlarge one's vocabulary. The way most often consciously adopted for doing this is to study long lists of assorted words, usually polysyllabic. This may be better than nothing, but it is not the method to be preferred. It is generally more advisable to go from things and concepts to the names for them than to go from miscellaneous names to things and concepts. Vocabularies tend to grow with knowledge in general, and particularly with increasing knowledge of special subjects. Each science, discipline, art, sport, or branch of knowledge has its own special vocabulary, which is acquired with study or experience of that branch of knowledge or activity.

An abundant vocabulary is usually a by-product of wide knowledge. One good rule, both in thinking and writing, is never to use a word if you have only a

vague and uncertain knowledge of its meaning. Look it up first in the dictionary to find its exact denotations and connotations — not to speak of its correct pronunciation!

Writing Improves Thinking

The reader who seeks to write well and think well should aim first at the essential qualities — coherence, clarity, precision, simplicity, and brevity. Euphony and rhythm are of course also desirable, but they are like the final rubbing on a fine piece of furniture — finishing touches justified only if the piece has been soundly made.

As a method of procedure, the apprentice writer may often find it advisable first of all to root out his faults. He should try to acquire the Five Virtues of Coherence, Clarity, Precision, Simplicity, and Brevity by vigilant abstention from the Five Vices of Incoherence, Obscurity, Vagueness, Pedantry, and Circumlocution.

For those who ask why writing is important to the thinker, one reply would be that it may be of crucial importance when the thinker wishes to present the results of his thinking to his professional colleagues or directly to the public. Newton and Leibnitz each invented the calculus independently, and

He who would learn to think should learn to write.

Newton's discovery was earlier. But it was the calculus as presented by Leibnitz that other mathematicians began to use, mainly because Leibnitz devised a better notation.

The Abbé J. G. Mendel's biological experiments and theories on heredity, propounded in 1866, were of epoch-making importance, comparable to Darwin's theory of evolution published in *The Origin of Species* in 1859. Darwin's book brought him instant world fame, but neither Mendel nor his contribution received any recognition until 1900, thirty-four years after he had published his results and sixteen years after his death. Recognition came only when other botanists independently obtained results similar to Mendel's and in searching the literature found that both the experimental data and the general theory had been published by him a third of a century before. Mendel's original paper had reached the principal libraries in Europe and America. But it was so sparsely and obscurely written that even eminent botanists at the time failed to grasp its implications.

A book on the art of thinking is

not the place to dwell in detail on the art of writing. The most illuminating discussion of its length written on the subject is still Herbert Spencer's essay on "The Philosophy of Style" published in 1871. (Unfortunately, its own style is somewhat stilted and pompous.) A helpful little manual is *The Elements of Style* by William Strunk, Jr., first published in 1918 and then republished with a delightful introduction and added chapter by Strunk's former student, E. B. White, in 1959.

Every professional writer ought to have, in addition to at least one good dictionary, four style books in his study: *The King's English*, by H. W. Fowler and F. G. Fowler, *A Dictionary of Modern English Usage*, by H. W. Fowler, *Usage and Abusage*, by Eric Partridge, and *Modern American Usage*, by Wilson Follett.

A Notebook or Journal

And every serious thinker, especially if he hopes to be a professional writer, should keep a notebook or a journal. I pointed out, in the first edition of this book, that good ideas are often elusive and must be captured in flight—in

other words, that it is excellent practice always to have a pencil and pad handy, so as to jot down a good thought the moment after it lights up your mind. The complacent assumption that once a bright idea or happy phrase occurs to you it is a permanent acquisition, to be called upon only when needed, too often proves false. Even Nietzsche, one of the great seminal minds of the nineteenth century, found that: "A thought comes when it wishes, not when I wish."

When we write out our ideas, we are at the same time testing, developing, arranging, crystallizing, and completing them. We imagine ourselves not only making these ideas clear to others, but making them seem as important to others as they do to ourselves. So we try to make what was vague in our minds precise and definite; what was implicit, explicit; what was disconnected, unified; what was fragmentary, whole. We frame a generalization, then try to make it as plausible as we can; we try to think of concrete illustrations of it. And as we do this, we also expose it to ourselves — and sometimes, alas, find that it is empty, untenable, or sheer nonsense.

A lot of ideas that cannot be tested by formal experiments can be at least partly tested by writing them out. A great teacher of

my acquaintance, when a student bothered him once too often by persisting in some silly proposal of his own on a subject, would suggest that the student write a paper on his idea and bring it in at the next seminar. The student seldom did so; perhaps because he was mentally lazy, but more likely because, when he attempted to write it out and to prove its validity, he found it to be hopelessly vague or a self-contradiction.

Writing Aids Concentration

One incidental advantage of the habit of writing out one's ideas is that it promotes concentration as almost no other practice does. As one who has written daily newspaper editorials or weekly magazine columns for many years, I can testify that nothing forces one to pull one's thoughts together more than deciding on a topic, sitting before the typewriter, feeding in a clean sheet of paper, and then trying to frame one's exact theme, title, and opening paragraph.

Francis Bacon summed it up with unsurpassable conciseness: "Reading maketh a full man, conference a ready man, and writing an exact man."

If the reader wants to know what the best and most stimulating notebooks and journals are like, I suggest, for a starting assortment: The *Meditations* of

Good ideas are elusive and must be captured in flight ...
 jot down a good thought the moment after it lights up
 your mind.

Marcus Aurelius, Pascal's *Pensées*, *The Heart of Emerson's Journals*, Samuel Butler's *Note-books*, and Charles Horton Cooley's *Life and the Student*. All of these, of course, can be sampled rather than read through; they are admirable bedside books.

How to Solve a Problem

In the first edition, I remarked that all thinking is problem-solving. My new book would contain a special chapter on "How to Solve a Problem."

It would begin, perhaps, by raising the problem: how to recognize a problem when you see it. The better informed, more intelligent, and more intellectually curious you are, the more problems you will become aware of. In his *Voyage of the Beagle*, Darwin describes how the savages, at one harbor in which the *Beagle* anchored, immensely admired the small boats in which his party landed, but paid no attention whatever to the big ship. They took it for granted, like a fact of nature. It was too far out of their experience.

Feeble-minded barbarians, no

doubt. But most of us civilized laymen daily switch on the lights, or turn on our television set, without the slightest curiosity regarding the cause of the miraculous result.

A question akin to this, which my chapter would raise, is "What is the problem?" Our modern social reformers are constantly preoccupied, for example, with the problem of poverty. But poverty is the original condition of man, from which he has sought to escape by the sweat of his brow, by work, production, and saving. It was when Adam Smith asked himself not what causes the poverty but what causes the *wealth* of nations that real progress on the problem began to be made. For centuries, in the same way, doctors took health for granted and assumed that the only problem is what causes disease. It was not until surgeons tried to transplant kidneys, hearts, and other organs that they became acutely troubled by the problem of what causes immunity. There is always the possibility of learning more by asking ourselves the opposite question. There are hundreds of books

on *How to Play Chess*. Znosko-Borowsky created a mild sensation by writing one called *How Not to Play Chess*.

Rules for Discovery

I suspect that my chapter on problem-solving would be heavily obligated to a little book by George Polya, first published in 1945, called *How to Solve It*.

Polya's book is devoted primarily to the problem of solving problems in mathematics; but it is applicable over the whole field of invention, discovery, and independent thinking.

"A great discovery," the author tells us in the preface, "solves a great problem but there is a grain of discovery in the solution of any problem. Your problem may be modest, but if it challenges your curiosity and brings into play your inventive faculties, and if you solve it by your own means, you may experience the tension and enjoy the triumph of discovery. Such experiences at a susceptible age may create a taste for mental work and leave their imprint on mind and character for a lifetime."

Polya has all sorts of instructive things to say about what questions to ask—"What is the unknown?"—about the uses of analogy, about "decomposing" and "recomposing" problems, about Descartes' rules for invention,

about the indispensability of good symbols and good notation for mathematical thinking. He tells how, overnight or after a longer interval, our subconscious mind will often solve problems for us, but warns that "conscious effort and tension seem to be necessary to set the subconscious work going"—otherwise everything would be too easy.

Polya calls his whole book an effort to teach *Heuristic*: "The aim of heuristic is to study the methods and rules of discovery and invention. . . . The most famous attempts to build up a system of heuristic are due, to Descartes and to Leibnitz, both great mathematicians and philosophers."

Polya's own illustrations and application are confined entirely to mathematics, for which his own enthusiasm is contagious. The reader, he says, should at least try to find out whether he has a taste for mathematics, and he may find out that "a mathematics problem may be as much fun as a crossword puzzle, or that vigorous mental work may be an exercise as desirable as a fast game of tennis. Having tasted the pleasure in mathematics he will not forget it easily and then there is a good chance that mathematics will become something for him: a hobby, or a tool of his profession, or his profession, or a great ambition."

Conscious effort and tension seem to be necessary to set the subconscious work going.

—Polya

Specialization, Perseverance, Analogy

My new book would contain a chapter on "The Dilemma of Specialization." The dilemma is this. In the modern world knowledge has been growing so fast and so enormously, in almost every field, that the probabilities are immense—against anybody, no matter how innately clever, being able to make a contribution in any one field unless he devotes all his time to it for years. If he tries to be the Rounded Universal Man, like Leonardo da Vinci, or to take all knowledge for his province, like Francis Bacon, he is most likely to become a mere dilettante and dabbler. But if he becomes too specialized, he is apt to become narrow and lopsided, ignorant on every subject but his own, and perhaps dull and sterile even on that because he lacks perspective and vision and has missed the cross-fertilization of ideas that can come from knowing something of other subjects.

I do not know the way out of this dilemma, or the exact compromise, but I hope to find it by the time I write my new book.

My new book, like the present

one, will have a chapter on concentration, but it is more likely to be called "Concentration and Perseverance," for it will put far more emphasis on patience, plodding, perspiration, pertinacity, determination, effort, *work* — on again and again returning to an obstinate problem until it is solved. Scientists talk much nowadays of "serendipity" — the faculty of making desirable discoveries by accident. An example often cited is how Sir Alexander Fleming discovered penicillin because one of his laboratory technicians had carelessly left the top off a dish in which a virulent infectious organism, staphylococcus, was growing; a number of fungi had floated into the open dish, overgrown the bacteria — and killed it. The accident led Fleming to his discovery. But these "accidents" only seem to bear fruit when they happen to alert indefatigable scientists who have already been working for years on a project. As Pasteur put it: "Chance favors the prepared mind."

In my new book I would treat *Analogy* less cavalierly than I did

earlier in this one, and perhaps have a separate chapter with that title. I did mention analogy in my first edition as a constructive method of making discoveries, but then went on to talk almost exclusively about its dangers and pitfalls. A. Wolf, in his *Textbook of Logic* (1938), emphasizes its achievements:

"One need only think of the most important discoveries in the history of science, in order to realize the enormous value of analogy. Our conception of the solar system (the helio-centric theory) owes a great deal to the analogy of the miniature system of Jupiter and the Medicean satellites. Some of the most important discoveries in modern mathematics are due to the analogy, discovered by Descartes, between algebra and geometry. The wave-theory of sound was suggested by the observation of water-waves; and the undulatory theory of light was suggested by the analogous air-waves which transmit sound. The theory of natural selection by the struggle for existence was suggested to Darwin by his knowledge of the artificial selection by which breeders have produced the many varieties of domestic animals. And so forth."

Like the first edition of the present volume, my new book would contain chapters on "Sub-

jects Worth Thinking About" and on "Books on Thinking."

Subjects Worth Thinking About

But the former chapter, instead of containing a list of important but very miscellaneous problems, would call the reader's attention to some of the innumerable sciences or disciplines in which he could enjoyably and profitably interest himself — agriculture, astronomy, atomic physics, biology, building, chemistry, crystallography, electricity, engineering, fossils, gardening, geography, geology, mathematics, medicine, metallurgy, meteorology, minerology, pathology, physics, physiology, and zoology. These are all physical sciences. I name so many here because my first edition rather neglected them in its emphasis on social questions. But, of course, in my new book the reader would still be invited to consider the attractions of the social disciplines — political science, jurisprudence, economics, ethics, psychology, anthropology, or archeology.

In choosing subjects to think about or problems to solve, I must confess a personal preference for those that are useful. I admire disinterested curiosity and the achievements of "pure" science and "pure" research as much as anyone; but I cannot share the snobbery of those who seem able

I cannot share the snobbery of those who seem able to express their esteem of pure science only by disparaging its practical applications.

to express their esteem of pure science only by disparaging its practical applications. Both are admirable; and they are mutually dependent. The partisans of pure science chronically talk as if there were only a one-way dependency, and as if inventors were men of a lower order than pure scientists. They never tire of reminding us how the inventions of Marconi in wireless telegraphy and de Forest in radio were dependent on the previous theoretical discoveries of Clerk Maxwell and Hertz. All very true. But how far would pure research have been able to go in a hundred fields if it had not been for the invention, say, of the microscope? Or, for that matter, of the printing press?

As Karl R. Popper has pointed out, in his *Poverty of Historicism* (1957), one need not espouse a narrow pragmatism in order to appreciate Kant's saying: "To yield to every whim of curiosity, and to allow our passion for inquiry to be restrained by nothing but the limits of our ability, this shows an eagerness of mind not unbecoming to *scholarship*. But it is *wisdom* that has the merit of se-

lecting, from among the innumerable problems which present themselves, those whose solution is important to mankind."

The Study of Economics

The reader of my new book would receive some guidance in how to take up a subject new to him, and there would be some specific illustrations. Suppose, for example, that he wanted to take up economics in a systematic way. He would be advised to begin with some short elementary text. An excellent one for the beginner today would be, say, *Essentials of Economics*, a book of only one-hundred pages by Faustino Ballvé (Irvington-on-Hudson, N. Y.: Foundation for Economic Education). A collection of essays, *Planning for Freedom*, by Ludwig von Mises, is less systematic but enormously stimulating. (I would be less than mercenary if I failed to mention here also my own *Economics in One Lesson*, available both in hard-cover by Harper & Row and in paperback by Macfadden-Bartell.)

The next step would be to read a book of intermediate length. One

of the best is *A Humane Economy* by the late Wilhelm Roepke (Regnery).

The student would now be ready to tackle one of the most comprehensive and advanced books on the subject, of which I will mention only three. *Human Action: A Treatise on Economics* by Ludwig von Mises (Regnery, 907 pages) extends the logical unity and precision of economics beyond any other work. Some readers seem to find this excessively difficult. For these I can strongly recommend *Man, Economy, and State*, by Murray N. Rothbard (D. Van Nostrand, two volumes, 987 pages) which is equally comprehensive, and along Misesian lines, but in which the reader may find the arrangement and exposition easier to follow. Finally, I would include in this triad an older book, Philip Wicksteed's *The Common Sense of Political Economy* (1910, new edition 1933, two volumes, 871 pages), as remarkable for the ease and lucidity of its style as for the penetration and power of its reasoning.

When the reader has finished even one of the books in this advanced triad, perhaps after a couple of introductory volumes, he will be prepared to choose his own further reading in economics, and may browse among the great writers and thinkers who created the

science — Hume, Adam Smith, Ricardo, Mill, Jevons, Menger, Boehm-Bawerk, Wicksell, Marshall, John Bates Clark — an enviable feast. Adam Smith's *Wealth of Nations*, though published in 1776, can still be ardently recommended no less for its literary seductiveness than for the brilliant light it still can throw even on the economic life of today.

General Rules for Exploring Any New or Strange Subject

Of course, my book could only include such specific recommendations on one or two subjects. For others there would have to be general rules. One would be to ask an expert in the subject. Another would be to consult the article on the subject in an encyclopedia and to see whether that included, as it ought to, a good list of references. A third rule would be to consult such a book as *Good Reading*, a paperback published by The New American Library. This is a volume sponsored by the College English Association and prepared by the Committee on College Reading. I happen to have the nineteenth printing which came out in 1964, but revisions have been appearing every year or two. The volume lists selected books on every conceivable subject — history, fiction, poetry, drama, biography, essays, philosophy, religion, and

all the leading arts and sciences. There is also an instructive list of "100 Significant Books."

One last general piece of advice. No practice excels that of browsing along a library shelf containing books on the subject that has awakened your interest, and sampling them.

If I may be permitted a personal note, it seems to me, looking back, that the hours of purest happiness in my own youth were spent in just this way. I would avidly sample one book after another, and when the bell rang, and the library closed for the night, and I was forced to leave, I would leave in a state of mental intoxication, with my new-found knowledge and ideas whirling in my head. I would speculate eagerly on what solutions the authors I had read had come to in the passages I hadn't had time to finish. I think now that these unpremeditated efforts to anticipate an author's conclusions stimulated my thinking far more than any continuous uninterrupted reading would have done. In fact, when I came back to one of these same books the next evening, I most often felt let down. The night before, the author had seemed on the verge of some marvelous breakthrough, opening new vistas to the soul, and now he seemed to fizzle out in a truism.

Books on Thinking

The final chapter in my new book, like the final chapter in the first edition of this one, would be about "Books on Thinking."

My new references would supplement, rather than displace, those in my first edition. For example, I cited there only two "classics" on the art of thinking — John Locke's *Conduct of the Understanding*, and Arthur Schopenhauer's *Thinking for Oneself*. I should also have included the three classics mentioned in my present preface: Bacon's *Novum Organum*, Descartes' *Rules for the Direction of the Mind*, and Spinoza's *Improvement of the Understanding*.

My new bibliography would of course also include a handful of good books written specifically on the art of thinking since the original edition of *Thinking as a Science* appeared. One of these would surely be *The Art of Thought*, by Graham Wallace (1926). Another would be *Thinking to Some Purpose*, by the late British logician L. Susan Stebbing. Her chief emphasis is on how to detect illogicalities in other people's thinking and how to avoid them in our own.

In addition, my new bibliography would refer the reader to passages, paragraphs, and even single sentences, widely scattered through the works of many au-

thors, that throw light on the art of thinking. Some of these can be found in the biographies or autobiographies of great thinkers. My first edition cited material of this nature from the autobiographies of John Stuart Mill and Herbert Spencer. But there are illuminating passages in many writers less well known.

I quote here a few lines, for example, from Charles Horton Cooley's admirable notebook, *Life and the Student* (1927):

"Let our struggle be with facts, with life, rather than with other writers. We cannot have the spirit of truth and the spirit of controversy at the same time.

"A writer whose aim is to be unlike others is liable to a subservience of contradiction. That is, he after all gets his cue from them, takes the other end of the same rope. Originality raises new questions."

Though it starts apparently in contradiction, the advice of Morris R. Cohen in the preface to his *Reason and Nature* (1931) reinforces that of Cooley:

"The philosopher whose primary interest is to attain as much truth as possible must put aside as a snare the effort at originality. Indeed, it seems to me that the modern penchant for novelty in philosophy is symptomatic of restlessness or low intellectual vitality. . .

The principle of polarity calls attention to the fact that the traditional dilemmas, on which people have for a long time taken opposite stands, generally rest on difficulties rather than real contradictions, and that positive gains in philosophy can be made not by simply trying to prove that one side or the other is the truth, but by trying to get at the difficulty and determining in what respect and to what extent each side is justified. This may deprive our results of sweep and popular glamour, but will achieve the more permanent satisfaction of truth."

Lessons in Logic

The art of thinking, like engineering or medicine, is based on several distinct sciences. One of these is psychology. I referred in the first edition of this book to John Dewey's *How We Think*, which is still useful. But great experimental as well as theoretical progress has been made since Dewey's book was published. The reader could bring himself abreast of this by consulting the article on *Thinking and Problem Solving, Psychology of* in the 1965 edition of the *Encyclopedia Britannica*. The article itself includes an extensive list of books for further reading.

Logic, the study of the general conditions of valid inference, is of

We cannot have the spirit of truth and the spirit of controversy at the same time.
—Cooley

course the chief established science on which the art of thinking must be based. My recommendation for initial reading in my first edition was Stanley Jevons' *Elementary Lessons in Logic*. Because Jevons was an excellent writer as well as a first-rate thinker, this can still be read with pleasure and profit. But today I would prefer to recommend as an introductory volume A. Wolf's *Textbook of Logic* (first edition 1930, but often republished). More advanced, but still not too difficult, is L. Susan Stebbing's *Modern Introduction to Logic* (1940). Still more advanced, longer, and more difficult is *An Introduction to Logic and Scientific Method*, by Morris R. Cohen and Ernest Nagel (1934).

Scientific method is closely connected with logic. In fact, it is usual for modern books on logic (and this is true of the three just mentioned — the last explicitly in its title) to treat traditional logic in the first half of the book as "formal" or "deductive" logic, and then to devote the second half to "inductive" logic and to "scientific method" in general. This second subject includes discussions

of such subjects as circumstantial evidence, the evolutionary and comparative methods, the simpler inductive methods (Mill's "five canons"), the statistical method, the deductive-inductive method, probability, laws of nature, scientific explanation, and so on. Long established as a standard work in this field is F. W. Westaway's *Scientific Method* (1919), but the literature is now very extensive.

A brilliant and penetrating book, for those who have the intellectual background, capacity, and ambition to read it, is *The Logic of Scientific Discovery* by Karl R. Popper (1961 edition).

Digression on Mathematics

It was one of the shortcomings of my first edition that it did not contain any explicit discussion of the enormously important field of mathematics. Yet at least an elementary knowledge of mathematics is essential for solving most of our daily practical problems as well as for most scientific thinking. We need arithmetic to buy and sell, to count our change, to read the time or the temperature, or to perform a hundred

other daily operations. Mathematics has been called the "queen" and even the "mother" of sciences, because every science has its mathematical aspect. The accelerative development of mathematics in the last century has been both cause and consequence of the tremendous progress in the same period in the whole realm of the sciences, physical and social.

And — what was strangely not recognized until the last century — there is an inextricable connection between logic and mathematics. Mathematics may be called the quantification of logic. Mathematical logicians consider it a branch of logic. A formidable literature has grown up in the last few decades on "mathematical logic," "the algebra of logic," and "symbolic logic."

I do not mean to discourage or frighten the nonmathematical reader at this point by any implication that unless he masters higher mathematics and symbolic logic he cannot hope to contribute anything to science, philosophy, or the higher realms of thought. Great contributions to science and other knowledge will be made in the future, as they have been made in the past, by persons innocent of mathematics beyond simple arithmetic. But I do want to suggest that, other things being equal, the more you know of

mathematics the more you will be likely to accomplish in science or original thought.

And mathematics can be fun. Few things can give greater enjoyment than mathematical problems, in fact, to those who relish mental exercise for its own sake.

The reader may be, like myself, one who grew up with a deep aversion to mathematics. This was chiefly, I am now convinced, because of the way it was then taught. Algebra was thrown at most of us who are now over forty simply as something that had to be learned if we didn't want to flunk. I never remember any teacher telling me anything about the engrossing history of algebra, or even explaining why algebra was necessary in solving any problem except the artificial ones that were specially invented for the textbooks. The course in algebra seemed to me mainly a malicious contrivance to cut down the time I could give to handball.

But now, I can assure any reader who doesn't know, all is changed. There are now so many fascinating introductions to mathematics (at least for adults) that it seems almost invidious to name only a handful. For a short introduction covering the whole field, I would especially recommend David Bergamini's *Mathematics* (1963) in the admirable

Life Science Library series. *Mathematician's Delight* by W. W. Sawyer (1943) is a charming introduction available in paperback. Two single volumes that teach the actual operations of the conventional part of the field are *Mathematics for the Practical Man* by George Howe (1957), and Lancelot Hogben's best-selling *Mathematics for the Million* (1937) — if you don't mind its belligerent Marxism. There is an excellent five-volume set on *Mathematics for Self-Study* (1931, 1962) by J. E. Thompson, covering in separate volumes arithmetic, algebra, geometry, trigonometry, and calculus. Finally there are the magnificent four volumes of *The World of Mathematics* edited by James R. Newman (1956).

Science, Philosophy, and Logic

I am still talking, the reader will remember, about studies that are directly likely to help him in the art of thinking — though the discussion inevitably splashes over into the domain of the chapter on "Subjects Worth Thinking About."

To continue with aids to the art of thinking: The reader will get both knowledge and stimulation from reading histories of science, lives of great scientists and inventors and discussions of their methods; histories of engineering, and histories of inventions and

discoveries. Again I can mention only a few books. Two more from the handsomely illustrated Life Science Library series: *The Engineer*, by C. C. Furnas, Joe McCarthy and others (1966), and *The Scientist*, by Henry Margenau, David Bergamini, and the editors of *Life* (1964). The latter book will introduce the reader to a wide variety of sciences. In the realm of technology the reader may consult anything from the five-volume *History of Technology* (1954-58), edited by C. Singer to the *Popular History of American Invention* (1924), edited by W. Kaempffert.

Of course I should include philosophy also among the subjects whose study would contribute directly to the stimulation and improvement of one's thinking. But my list of recommendations has already grown so long that I shall here mention only two. The first is Bertrand Russell's brilliant *History of Western Philosophy* (1945). The second is *An Introduction to Philosophical Analysis* (second edition, 1967), by John Hospers. This text will bring the reader abreast of the kind of problems that professional philosophers now discuss.

At this point some reader may ask, earnestly or skeptically: But if I do some or all of this reading, will it really make me a better

thinker than if I devote my leisure wholly to detective stories or golf? To this I can confidently reply: Yes. But to the further question: *How much* will it help me?, I cannot reply with any confidence at all. The answer depends on the native intelligence of the individual reader, the nature of his gifts and interests, and a score of other factors.

Improving the Prospects

Is it really necessary to study formal logic, for example? Tristram Shandy, Lawrence Sterne's hero, commenting on the gap between his father's argumentative powers and his ignorance of formal logic, says: "It was a matter of just wonder with my worthy tutor, and two or three fellows of that learned society, that a man who knew not so much as the names of his tools, should be able to work after that fashion with them." In 1685, in the great hall of Dublin University, the young Jonathan Swift, having failed once before to take his bachelor's degree on account of his ignorance of logic, came up again without having condescended to read logic. He was asked how he could reason well without rules, and replied that he did reason pretty well without them. Reluctantly, though as the outcome proves, justifiably, his ex-

aminers gave him the degree. On the reverse side of the coin we may cite examples of even great professional logicians, like John Stuart Mill, sometimes falling into logical howlers.

The only reply I can think of to these examples is that though ignorance of logic may not prevent correct reasoning, or knowledge of it guarantee correct thinking, that knowledge nonetheless helps. The probability is that in the long run a man who has studied formal logic will reason better, and make fewer errors, than if he had not. Remembering the technical names and descriptions of the more common fallacies, for example, will help him to detect such fallacies in the reasoning of others and avoid them in his own.

I have much less doubt about the usefulness of mathematics. True, even a prolonged study of higher mathematics will not make a man into an original or even effective thinker if he lacks the innate qualities. But a study of mathematics is of great importance in training a man to *think mathematically* about a problem or a subject.

On the negative side the importance of mathematical study is overwhelming. Without a knowledge of at least elementary arithmetic none of us would be competent to manage his daily affairs.

In the long run a man who has studied formal logic will reason better, and make fewer errors, than if he had not.

Without a knowledge of double-entry bookkeeping and cost accounting, a business firm would never know just how much money it was making or losing. And without a knowledge of higher mathematics, few modern physical scientists could hope to make contributions to their subjects, or even understand what had already been discovered. Morris R. Cohen tells us that in dealing with experimental physics, the lack of advanced mathematical knowledge discomforted the acute and powerful mind of Hobbes.

Even if the case for the usefulness of mathematics were not so overwhelming, its study could still be infinitely rewarding. In a famous fifteen-page essay, "The Study of Mathematics," included in his *Mysticism and Logic* (1918), Bertrand Russell writes:

"Mathematics, rightly viewed, possesses not only truth, but supreme beauty . . . sublimely pure, and capable of a stern perfection such as only the greatest art can show. . . .

"For the health of the moral life, for ennobling the tone of an age or a nation, the austere vir-

tues have a strange power, exceeding the power of those not informed and purified by thought. Of these austere virtues the love of truth is the chief, and in mathematics, more than elsewhere, the love of truth may find encouragement for waning faith. Every great study is not only an end in itself, but also a means of creating and sustaining a lofty habit of mind; and this purpose should be kept always in view throughout the teaching and learning of mathematics."

The Joy of Thinking

But I ought not to try to proselytize for any one subject, among the hundreds, indeed (as encyclopedias and great libraries remind us) the thousands, that compete for the interest of the inquiring mind. Some of the world's most brilliant intellects have had no gift for mathematics. Most of us, moreover, have neither the surplus time nor energy to divert from the interests that already preoccupy our attention. And most of us, also, will feel less frustrated if we devote ourselves to less abstract and abstruse subjects

which are nonetheless rewarding and absorbing. Not everyone can be a Newton or a Darwin, but everyone, by a little effort and persistence, can improve his intellectual attainments and satisfactions—and his enjoyment of life.

I would like to end this epilogue where I began, and to repeat that if I were writing a new book on the art of thinking I would emphasize, as I failed to do in my first edition, that no man can hope to do original work or even profitable thinking in any science or branch of knowledge until he has gone to the trouble to learn *what has already been discovered* in that branch of knowledge. He must know *the previous state of the question*. Then he will see whether he can make any contribution of his own.

When the great Isaac Newton was asked how he had been able to make such tremendous contributions to human knowledge and thought, and to see so much farther than other men, he answered modestly: "I stood on the shoulders of giants." In other words, he was able to build on what his predecessors had discovered.

We who live today are in one respect in a more enviable position than any other generation in history. We stand on the shoulders of

giants, like Newton and his successors, who stood on the shoulders of other giants before them. A thousand professional mathematicians today, though they have nothing approaching his genius, know more mathematics than Newton, who invented the calculus. And they know it because Newton, Leibnitz, the Bernoullis, Euler, Lagrange, Gauss, Riemann, Hamilton, and a hundred lesser figures have taught them. So an intelligent college student today is in a position to learn more about calculus than Newton, more about economics than Adam Smith, more about evolution than Darwin.

The present generation has been privileged beyond all others in acquiring this great intellectual heritage. It is a cardinal sin for any individual to neglect to acquire at least some small part of it for himself. It is more than a sin; it is a folly. It is a failure to take advantage of one of the greatest sources of human enjoyment.

For we may say of thought in general what Tarrasch said of chess: Thinking, like Love, like Music, has the power to make men happy.

The way to this happiness is what I have tried to show in this book.



Consumers' Capitalism & The Immutable Laws of Economics

AL LAX's *Consumers' Capitalism and the Immutable Laws of Economics* (Charles Hallberg & Co., \$5.95) is an adventure in shirt-sleeve economics. What it tries to do — and succeeds very well in accomplishing — is to put the concept of marginal utility (a rather forbidding phrase) into easily comprehensible terms. This is "Austrian economics" in homespun, or Menger-for-the-Masses, which eschews all talk about "monopsony," or "oligopoly," or any of the manifold verbal barbarisms that the professional economists use as shorthand. It is the work of a good simplifier who knows how to be clear without becoming superficial.

If it is Menger-for-the-Masses, an exposition of how the subjective desires of individuals result

in personal lists of preferences regarding the utility of any and all the items that are offered in trade, it is also Mises-for-the-Multitudes. Like Ludwig von Mises, Mr. Lax is struck by the fact that "planning" on the Soviet model would be impossible if no free market system existed anywhere in the world to establish the proper relationship between hard metallic money and goods. The utter dependence of socialist "planners" on what happens in an "unplanned" market is a subject for cosmic irony. Nobody knows how to set prices that will "clear the market" unless there is, somewhere in the world, a free system which will let individuals judge what they want in relation to what they have to pay for it. Socialism and "bureau-

cratic planning" come to grief on the measurement problem: they need a "market" to give them signals about the point where the weakest desire is willing to fork up something for the last item that a producer is able to put up for sale without going broke.

Millions of Planners

The dependence of "planners" on evidence gathered from "unplanned" systems leads Mr. Lax to transvalue the usual terms of discourse. It is not really true, he says, that "invisible hand" capitalism is an "unplanned" affair. Under unfettered capitalism it is the individual consumer who does the "planning." He tells the producer what is wanted, and in what proportions. It may seem strange that a city like New York, with eight million people, gets its morning coffee without any "conning tower" consideration of how many coffee trees should be planted in Colombia and Brazil, or how many coffee roasting establishments should be financed, or how many ships should be dispatched to Sao Paulo. Actually, however, a couple of million housewives, each planning for an individual family, add up to a total "plan" for coffee delivery in the New York marketplace. No bureaucrat could do as well as the "invisible hand" that

takes its orders from two million "planning" housewives.

Under "consumers' capitalism," energy goes to where it is needed most. In countries where "bureaucratic capitalism (or state socialism) reign more or less supreme, the disposal of energy must be allotted in accordance with the prejudices and the guesses of the commissars. In the "mixed economies," where there is some freedom and some of what might be called "planning-by-guess," energy moves into action in distorted ways. Most of the nations of the world have "conglomerate" systems. But the ones that do the least "planning-by-guess" have the highest standards of living, other things (such as soil endowments, the availability of water, and so on) being equal. Even in places like Japan, where land is at a premium and most raw materials must be brought in from overseas, freedom can create a prosperity that is the envy of bureaucratic economies that are better endowed with such things as coal and iron in the ground and wider horizons for the growing of corn and wheat and cattle.

Resort to the Rule of Force

Since bureaucrats resist letting the "market" decide, they are thrown back upon the rule of

force. The "planners" have to make use of the secret police and the torture chamber to push production into the channels they have arbitrarily chosen. The "bureaucratic capitalist" nations become "giant tribes," in Mr. Lax's appropriate description. They trade with each other by barter ("if at all"), and every competing tribe is suspect. And, to keep people from emigrating to places where individuals do their own "planning," the "giant tribes" ring themselves with land mines and ugly walls, "with police dogs patrolling the exits."

Periodically, in the "bureaucratic capitalist" systems, the inefficiency becomes so notorious that the "planners" feel they must experiment with an "as if" market system. So we have the spectacle of a Yevsy Liberman in Soviet Russia saying publicly that the communist system must find some way of reintroducing the concept of profit. Without profit, so Liberman told the commissars, there was no way of gauging efficiency. But how do you create the atmosphere for a profit system without such things as individual ownership, access to a free capital market, and competition for raw material and labor? Liberman has never been able to answer this in a country which insists on bureau-

cratic allocation of capital and access to raw material sources. Since the Russians have no way of objectively determining optimum shoe production, for example, they don't know when to stop making shoes and start making something else. Their only reference points for calculation come from the world market for such things as leather, the material needed for shoe lasts, and so on. Without the capitalistic West to copy, the Soviet "planners" would, as Mr. Lax expresses it, "be helplessly lost in a maze with no beginning nor end."

Freedom or Coercion

Mr. Lax denies that one can have "the best of both worlds" by saddling a free system with "bureaucratic planning," or "interventionism." You cannot "plan" without taking resources from those who, if the market were left to judge, would place them where they could be used in the most efficient manner. Laws and decrees cannot create prosperity. If a minimum wage will supposedly give everyone a minimum subsistence standard, why not go the whole hog and make everybody rich by setting the minimum wage at \$25 an hour? The answer is that all any minimum can do is to exclude from the labor market any person

who can't make money for an employer at the government-dictated wage rate. The minimum wage "intervention" must approximate a good guess at the natural market price for unskilled labor if it is not to result in unemployed men and a reduced amount of goods for sale. But if the minimum wage does approximate a good guess at what the natural price for labor would be without any political ukase, it is obvious that no intervention was necessary in the first place.

Mr. Lax's treatment of tariffs is particularly refreshing. The standard argument for tariffs is that they are needed to protect Americans from the low-wage competition of nasty foreigners. But the attempt to keep workers and capital employed in naturally inefficient industries actually restricts the energy that might be applied in places where a nation has a real comparative advantage. Says Mr. Lax, "in spite of the belief that tariffs protect Americans

from cheap foreign labor, tariffs (in the long run) inhibit the shift of workers into higher-paying jobs." The U.S., so Mr. Lax argues, should forget about competing with Japan or Hong Kong in making artificial plastic flowers or inexpensive clothing and put its bet on airplanes and electronic computer systems, where it has a great advantage over the so-called "developing" nations.

The "planners" world always results in "problems," such as the "farm problem," or the "housing problem." Where the economy remains free, there is no such thing as an "automobile problem," or a "shoe problem." The attempt to "plan" production allocates capital (seized by taxation) to the creation, of surpluses which, by definition, are what nobody wants. The surpluses, says Mr. Lax, "are the twentieth century pyramids."

Mr. Lax's book is edited by Edmund A. Opitz, who also wrote the Introduction. The Preface is contributed by Leonard E. Read.



the Freeman

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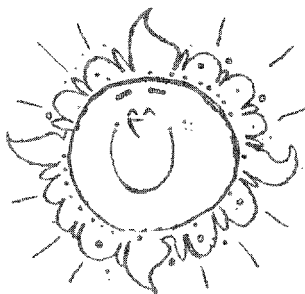
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OUR IMPROVING ENVIRONMENT

ALEXIS T. MILLER



IN THE BEGINNING and for thousands of years, man's environment was extremely hostile, barely yielding enough sustenance for survival. Man, clearly, was at the mercy of his environment.

However, at scattered times and places throughout history, man has demonstrated an ability to adapt and to substantially control and improve his environment.

Environment is usually thought of in physical terms such as air, water, climate, food and shelter, other people, natural resources, and the like. But in considering total environment I would add those conditions that have affected the achievement of the historic goals of men which have been and still are: freedom and the opportunity to improve their well-being — as they see it — not as someone prescribes it for them.

I mentioned occasions in history where men and life flourished.

Mr. Miller is Executive Vice-President of the Badger Meter Manufacturing Company in Milwaukee. This article is from a talk presented on several occasions in recent months.

These included Sumer, Athens, Carthage, Rome, Venice, Florence, Kiev, various Islamic centers of the Middle East, England, and America. The conditions that were present in each of the instances were freedom of action and commerce as well as security of the lives and property of the citizens.

Free men have always reacted creatively to a hostile situation.

Problem and Thesis

Today we seem to be in an age of crises: international, crime, youth, housing, population, food, and pollution.

A generation ago it was the school shortage, automation, why can't Johnny read, the sputnik gap, and others. Every generation has had its crises which is partly a result of the headline syndrome (every day there must be a headline).

A current crisis that is causing concern among many people is our alleged deteriorating environment.

I disagree with their concern

and would like to present and support the following thesis:

Man's total environment has been improving from the time he developed the first tools and, during the past generation, the rate of improvement has increased.

I mentioned some examples where mankind flourished and where there was, at least in those locations, a rapid improvement in the total environment. Obviously, the improvement in the environment worldwide has not been continuous as only two of those flourishing societies are left.

Nevertheless, the number of people sharing the improved environment is increasing. West Germany and Japan have certainly been a good example of this during the past 25 years. And more recently Hong Kong, Taiwan, Singapore, and others have achieved rapid rises in their standards of living.

Furthermore, we know what the preconditions are and can use this knowledge to evaluate instances of environmental deterioration to determine corrective action.

I would like to examine some specific examples of alleged environmental deterioration in the light of today's concern for the population explosion and the pollution of our ecological community.

Water Resources

First, let me say that there is no water shortage and very likely never will be except where distribution systems are inadequate. Water is used, not consumed. Therefore there is just as much water in the world today as there ever was. *The New York Times Encyclopedic Almanac 1970* states that there are about 327 million cubic miles of water on the earth. 97 per cent of this total is salt water while 2 per cent is fresh water frozen in ice caps and glaciers. The remaining 1 per cent or 3.3 million cubic miles is fresh surface and ground water which amounts to about one billion gallons of fresh water per person in the world today. This is many million times more water than we are using each day. And yet there are people who insist that inevitably we will run out of water.

I will agree that in spite of all the water available, much of it is beginning to look used. It is obvious that there is a lot of polluted water. However, except for man-caused silting of the waterways of the world and for some recent isolated changes in the availability of aquatic food, water pollution constitutes only a minor economic and health problem. The Milwaukee River, for example, has been polluted for over 100 years but only recently has there been any

significant expression of concern.

Secondly, let me dispel some pollution lore. It is quite evident that chemical and biological pollutants, in sufficient concentration, can cause destruction of at least a part of the natural state of a river or lake. Thermal pollution may cause a local change but is not likely to cause destruction. It is also evident that regardless of the concentration of pollutants, every moving body of water has the capability of eliminating the effect at some point downstream. Furthermore, there is no evidence whatsoever to indicate that any body of moving water, including Lake Erie, can be polluted to a point where it cannot eventually restore itself if the introduction of pollutants is sufficiently reduced. As with an area of polluted air, an area of polluted water becomes diluted as it moves on.

A pertinent question that might be asked: How did pollution get this bad? Since rivers and lakes have been considered public property, the concept of protecting private property from the actions of others (a precondition for a free society) has not been applicable. Therefore, the waterways simply have become unchallenged dumping grounds. For the same reason, litter has become commonplace on roadways, parks, and other public areas.

All that is needed is for all of the polluters — municipal, industrial, and agricultural — to reduce their polluting to a level where the waters can clean themselves to whatever level is desired.

The ultimate cost of pollution abatement must be borne by the polluters and passed on to their customers, whether industrial, municipal, or agricultural.

Although some new developments would be helpful in reducing costs, such as continuous flow sewage treatment, the technology exists today to abate nearly all of the water pollution. It is simply a matter of enforcement to achieve clean waters and this is what has been lacking. For example, the Rivers and Harbors Act of 1899, which bans the dumping of refuse into navigable waters, is just now being effectively enforced in various parts of the country.

Pollution control is primarily a state and local problem. Where effective local enforcement has occurred, dramatic results have been achieved in many parts of the world. For example, fish that have not been seen for generations have returned to the Thames in the London area. Game fish are again being caught in San Francisco Bay. Furthermore, these improvements required no sacrifice in the standard of living.

Beyond the setting of standards

for Federal, interstate, and other navigable waterways, with some personnel for monitoring, there seems to be no more justification for a Federal bureaucracy concerned with water pollution abatement than for a Federal bureaucracy concerned with garbage collection.

Unfortunately, the almost frantic effort to federalize a local matter has restrained the development of effective local pollution abatement programs.

However, it is obvious from steps already taken and others scheduled that our environment is improving. The next few years will witness a reversal of centuries of water pollution.

Air Resources

Air pollution is probably more serious than water pollution because we don't clean the air before we use it and the pollution is more difficult to evade. But the magnitude of the hazard is not known. That is, we really don't know very much about the long term effect of different combinations and concentrations of impurities in the air. However, since we can see it and smell it, air pollution has become a social problem and therefore a political matter.

One of the incongruities of our laws pertaining to property is

that the air rights do not include the air itself. However, this inconsistency is beginning to change; as a result, as in the case of water, the environmental problem of air pollution is rapidly yielding to local corrective action. I again emphasize "local action."

The technology for air pollution abatement does exist and is being applied. Furthermore, the technology is improving rapidly as the innovators go to work. There was little incentive or opportunity for innovation in the past under conditions of limited enforcement.

As in the case of water pollution abatement, wherever effective local enforcement of air pollution laws has occurred, dramatic results have been achieved.

Pittsburgh, with a local program, experienced significant improvement years ago. London has had pollution control laws for 400 years but erratic enforcement until recently. The Clean Air Act of 1956 required the replacement of coal fires with gas, electricity, or oil, and established smokeless zones. Lord Kennet, Joint Parliamentary Secretary of the Ministry of Housing and Local Government, speaking to the National Executive Conference on Water Pollution Abatement in Washington on October 24, 1969, stated that "there hasn't been a serious fog in London for seven years."

Los Angeles Smog

The Associated Press reported on March 21 that the head of the Los Angeles County Air Pollution Control District is retiring because, he says, "there's nothing much left for me to do here." Air pollution in the Los Angeles basin is at its lowest point since 1954 and still declining without an erosion of the standard of living. Open air burning has been banned. Industry has complied with local air pollution abatement laws. The California Air Resources Board stated in its 1969 Annual Report issued in January of this year that because of California vehicle emission laws applicable to the 1970 model automobiles, hydrocarbon and carbon monoxide emissions per car have been reduced over 70 per cent from the 1965 cars. Recently announced California emission standards, which are to be effective with the 1975 model cars, will result in a 95 per cent reduction in hydrocarbon emissions, 85 per cent in carbon monoxide emissions, and 83 per cent in oxides of nitrogen in contrast to earlier model cars. In spite of this improvement, some people continue to predict that Los Angeles smog will cause mass deaths by 1975.

With effective local enforcement of air pollution laws, our environment will continue to improve.

Population

The alleged population explosion, if true, would certainly be an important factor in our total environment. However, I think it is nonsense to project recent population growth rates without considering what caused the rise or what could change it.

The population problem is essentially a matter of people, space, and food. Shelter and clothing are also important but, while their availability may be marginal, they are not critical in the areas where the population pressures are the greatest. As for people, the world population has been rising rapidly during the past century primarily due to a rapid reduction in death rates, not to a rise in birth rates.

The Western world—with its series of economic, scientific, and technological advances—witnessed a slow, gradual transition over many generations, from high death rates and high birth rates to low death rates and low birth rates concurrent with an improvement in the standard of living. During this time, the rate of population growth did not change significantly.

But in parts of Asia, Africa, and Latin America, mortality rates have dropped substantially in the last few generations without a corresponding change in economic conditions or birth rates.

This obviously led to a rapid rise in the rate of population growth. However we may view the means or the result, one of the key factors contributing to the sharp drop in death rates in tropical countries has been the effective and continuing use of DDT in controlling disease-carrying insects.

On the brighter side of the population problem, growth rates have been dropping in the technically and economically advanced nations of Europe and North America. In the United States, for example, the population growth rate is down to less than 1 per cent a year and still declining. The Census Bureau reported that the population increased 154,000 during March to an estimated 204,663,000. The population of the United States is stabilizing without government coercion.

Furthermore, birth rates and therefore population growth rates have been falling rapidly for several years in such developing nations as Taiwan, Hong Kong, Trinidad-Tobago, and Singapore. These are not isolated cases but rather dramatic examples of the effect of market economies, the infusion of capital, and a resulting rise in the standard of living. Also, birth rates are beginning to fall in Ceylon, Malaysia, Jamaica, and Costa Rica for the same reason.

Japan has halted its program to reduce birth rates as there is concern about the long run labor requirements for their expanding industries. West Germany, Australia, and others are promoting increases in population.

The environment in the free world *is* improving.

As to the availability of space for an expanding population, there is not much to say beyond the fact that there is plenty of it. However, in order to take advantage of the open land, we may have to break or at least bend the tradition of the central city. After all, the central city in this country was rendered obsolete over a generation ago by the automobile. All of its traditional functions have been diffused into outlying areas except the function of serving as a political base.

Food

More than seven thousand years of overgrazing and poor farming methods throughout the Middle East, North Africa, and parts of Asia have caused eroded slopes, silted rivers, and paralyzed food production. Changes in ancient civilizations and empires in this area paralleled disastrous grain farming methods.

There have been some interesting highlights during this time. The Sumerians, whom I mentioned

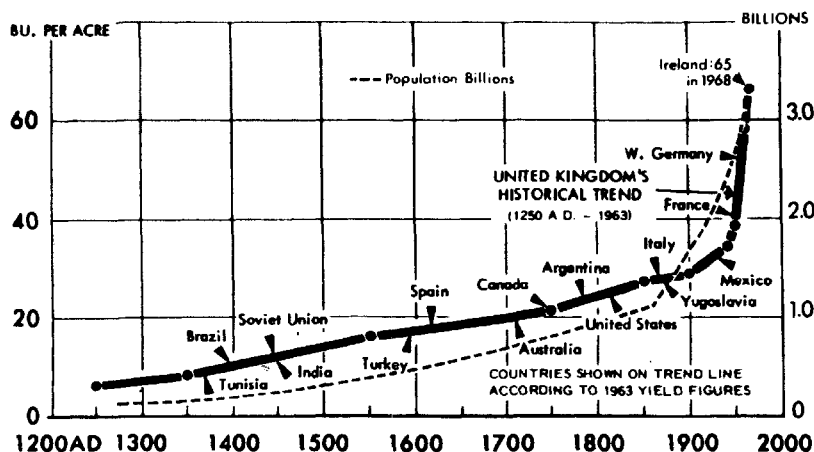
earlier, over 4,000 years ago developed irrigation technology within an environment of private property and a market economy. The early Egyptians harnessed the ox, thereby increasing productivity to a point where people were available for building programs. The Romans implemented and expanded the soil and water conservation technology of the Carthaginians. The Saracens improved it still further and developed what became known as scientific farming. In more recent times the English have been steadily increasing wheat productivity for many cen-

turies. With a few other exceptions already mentioned, the rest of the world went hungry most of this time.

Even today, population growth threatens to exceed food production in some parts of the world where Malthus is again the vogue. In other parts, however, food production is increasing far more rapidly than population.

It is interesting to note the variations in food production and productivity in different parts of the world. Since land is a fixed resource, the only valid measure of productivity is per unit of land.

CURRENT WHEAT YIELDS IN SELECTED COUNTRIES RELATED TO UNITED KINGDOM'S HISTORICAL TREND



U.K. HISTORICAL ESTIMATES FROM H.L. RICHARDSON IN OUTLOOK ON AGRICULTURE VOL. 111 NO. 1, 1960

Wheat

The previous chart shows the productivity in bushels per acre for the United Kingdom from the thirteenth century through 1968. Other nations are shown on the U.K. line with their yields as of 1963. In addition, the world population line is shown without the fourteenth century plague dip.

You will note that for the United Kingdom there was slow growth until the yield takeoff in the 1940's.

Also note the position of other countries on the U.K. line. The United States and Canada are relatively low because the averages include the nonirrigated lands in the plains area where yields are erratic. Actually, in many Mid-western areas, wheat yields exceed those of the U.K. Of interest is that Yugoslavia is one of the most market-oriented of the Eastern Bloc nations.

There have been a few changes in productivity since 1963. France moved up to 53 bushels in 1968. The United States with 13 bushels per acre in the 1930's and 20 bushels in the 1950's is now at about 30 bushels. Russia is still at about 17 bushels per acre.

Malthus wrote his first book in 1798 long before the takeoff.

Agricultural economists contend that certain conditions are necessary for a "yield takeoff" of a na-

tion's primary food crop:

1. A high degree of market orientation in agriculture.
2. A relatively high level of literacy.
3. Per capita income far enough above subsistence levels to provide capital for investment in yield-raising capital inputs.
4. A high level of development of the nonagricultural sector.

While these four conditions have existed wherever a yield takeoff has occurred, I suspect that the last three items are not so important since yield takeoffs are beginning to occur in developing nations where only the first condition is dominant.

The reasons for the yield takeoff in any food crop are typically the effective use of mechanization, chemicals, and appropriate strains of the plant. The chemical revolution has produced new types of nutrients, herbicides, fungicides, insecticides, and bio-regulants. These are all part of the new technology of our improving environment, as are breakthroughs in the genetic design of new strains and varieties of crops.

New strains of wheat have yielded over 100 bushels per acre. Hybridization of wheat is just now getting started, nearly forty years after corn. A synthetic species called *triticales*, combining wheat and rye, outproduces both in yield

per acre and in protein content.

Wheat production in this country has been rising faster than consumption for many years. As a result of persistent wheat surpluses, the national wheat acreage allotment has been significantly reduced in recent years. As reported in *The Wall Street Journal* on December 22, 1969, the government's 1970 wheat program calls for a 12 per cent cut in acreage from the 1969 level. It is expected that in 1970 approximately 44 million acres will produce 1.3 billion bushels of wheat. This compares with 74 million acres producing

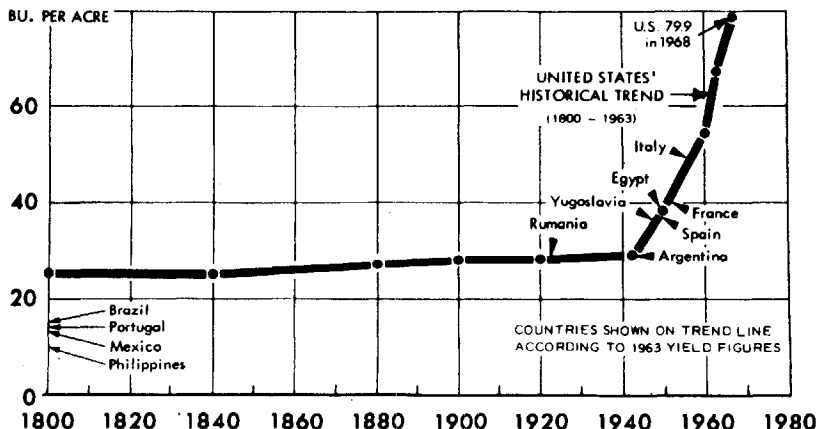
less than 1 billion bushels fifty years ago.

While we are cutting acreage, Russia is still increasing acreage; although Russia's total output in 1969 dropped 5 per cent from the 1968 level as reported in the January 12, 1970 issue of *Foreign Agriculture*.

Corn

The chart below shows the productivity line for corn in the United States, where about half of the world's supply is produced. The yield takeoff started in the late 1930's and became fully effective

CURRENT CORN YIELDS IN SELECTED COUNTRIES RELATED TO UNITED STATES' HISTORICAL TREND



in the early 1940's. It was primarily due to hybridization, fertilizers, weed control, and higher plant densities.

Although the average yield has reached nearly 80 bushels per acre, many farms have exceeded 100 bushels. Over 300 bushels have been achieved experimentally, with some new technologies yet to be tried.

In 1880, it took an average of 48 hours of work to produce one acre of corn. Today, with modern equipment, it takes only two hours. In that same period the yields per acre increased from 25 bushels to

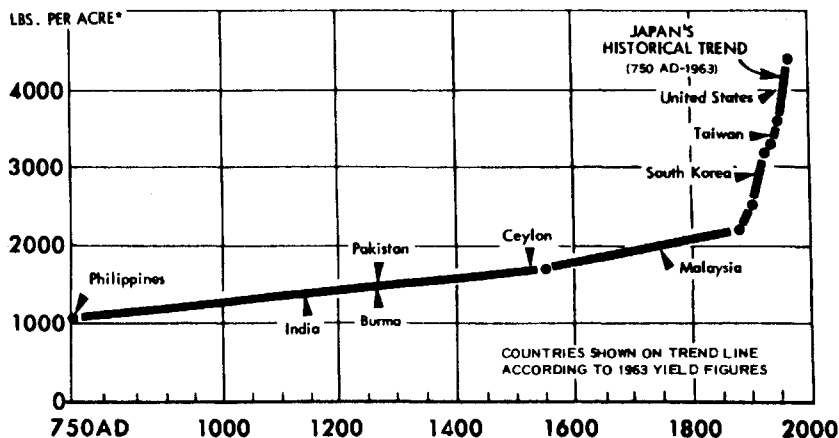
80. The productivity of the farmer increased 24 times but the productivity of the land increased only 3 times. It is the land that is now becoming more productive.

As a matter of interest, it has been estimated from contemporary records that the American Indians were achieving corn yields of between 15 and 20 bushels per acre when the white men arrived.

Rice

Rice is the chief food for half the world's population. This chart shows the productivity line for Japan where the yield takeoff oc-

CURRENT RICE YIELDS IN SELECTED COUNTRIES RELATED TO JAPAN'S HISTORICAL TREND



* ROUGH RICE

HISTORICAL ESTIMATES FROM JAPANESE MINISTRY OF AGRICULTURE

curred considerably earlier than in other rice producing countries. Note the position of the other nations with market economies that are not too far behind.

With a limitation on available land, the Japanese, following the formation of their first national government a century ago, promoted an early takeoff after a thousand years of slow growth in productivity. The yield per acre increased from about 2,200 pounds per acre to more than double that level today. As a result, Japan is now exporting rice and has embarked on a program of reducing rice acreage 10 per cent per year for three years.

The International Rice Research Institute in the Philippines, sponsored by the Ford and Rockefeller Foundations, has developed some exciting new strains of rice. With *IR-8*, one of the new strains, the Philippines in 1969 not only became self-sufficient but achieved a surplus. Unfortunately, they could not sell all of the surplus because of the glut in the world rice markets. Note on the chart where the Philippines were in 1963. The individual Philippine farmers, who are using *IR-8* and appropriate chemicals, have achieved in just a few years a yield increase that required over 1,000 years to accomplish in Japan.

Rapid conversion to the new

strains is taking place throughout Southeast Asia and the Western Pacific. The new strains of rice permit heavier fertilizing, and not only have higher yields but at least one and possibly two extra crops each year. They take four months or less to mature as against up to seven months for the old strains. Where weather conditions permit multiple cropping, the increase in production per year can be several times that of old types.

A yield takeoff now requires less time to implement where takeoff conditions are met. This is largely due to better communications, which is another part of our improving environment.

While mechanization has helped increase wheat and corn yields, it is not that important to increasing rice yields in Asia.

As with wheat and corn, the production of rice in the free world is increasing much faster than population is. The environment in the free world is improving.

India has high hopes, but also has rigid price controls on rice at levels below the free market price. This, of course, has discouraged the production of rice. Although experimental farms are becoming more productive, average yields per acre are still at the levels of 1900 with no indication of a national yield takeoff.

Other Food Crops

Recent yield takeoffs in the free world are not confined to the primary grain crops. For example, in the United States the yield per acre of grain sorghum, as well as the yield of soybeans, has more than doubled since the 1930's, while the yield of potatoes has more than tripled in many areas.

In summarizing the food situation, the unmistakable facts are these:

In the nations with market-oriented agriculture, food production is increasing more rapidly than population is, while in the nations with socialized agriculture the opposite is true.

The capitalist nations are experiencing "problems" of increasing food surpluses. The developing nations with market economies that are effectively applying new technologies are rapidly achieving self-sufficiency. On the other hand, the developing nations with planned economies and limited effectiveness of new technology are facing serious food shortages as are the major socialist nations: Russia, China, and India.

The United Nations Food and Agricultural Organization (FAO) stated in its annual report released in January, "The food problem facing the world in the near future is more likely to be surpluses rather than starvation."

As a word of caution, not all developing agricultural nations are ready for a yield takeoff of their primary food crop. However, it will occur sooner if the preconditions are met.

Nevertheless, a higher per cent of the free world's population is living above the subsistence level than ever before in history.

Another point, the world's total potentially arable land, using today's technology, is over three times the area actually harvested. Furthermore, throughout the world, land is being reforested faster than timber is being cut; strip-mined land is being reclaimed faster than it is being mined; and many areas of land ruined centuries ago are once again blooming.

Our environment is improving.

In looking ahead, there are many exciting things being developed for the next wave of the agricultural revolution. The following are just a few:

1. Lower costs for desalting sea water as well as surface and subsurface brackish water.
2. Implementation of subirrigation techniques in which all nutrients and other chemicals are applied at the root level using only one-third as much water as with surface irrigation. This will eliminate chemical runoff and reduce soil

runoff. This technique, together with desalinization procedures, may very well be the answer to the salt buildup in the Imperial Valley of California.

3. Increased use of plastic shelters for cold-weather farming. Many garden crops such as tomatoes are now grown in this manner.
4. Growing acceptance of the elimination of plowing to maximize yields and minimize topsoil runoff.
5. Lower unit costs and prices following the inevitable shift to corporate farming. The elimination of price supports and acreage restrictions will accelerate this shift.
6. I should also acknowledge and allow for the countless innovations, large and small, that have not yet emerged.

The Total Environment Is Improving in the Free World

I mentioned in the beginning that the goal of men throughout history, as clearly indicated by many voluntary emigrations and migrations, has been freedom and the opportunity to improve their well-being as they see it. Freedom for one implies freedom for all — which means security of life and property. These conditions, which promote the most effective utiliza-

tion of human energy, represent a favorable total environment.

The evidence is overwhelming that the environment is improving. The free nations of the world, with rising standards of living for an increasing number of their citizens, illustrate the most favorable total environment the world has ever known.

Malthus, who was more of a reporter than a prophet, could no more visualize the real effect of new technology developed and creatively applied by free people than Karl Marx could. Both have been proved wrong.

Some people will say about food that "the problem is not a shortage but a matter of distribution." If they would only inquire into the matter, they will find that there really are shortages. They will find free nations in all stages of development that have food surpluses, stabilizing populations, rising standards of living, and the will to achieve control over their physical environment. They will also find nations with planned economies facing critical food shortages and a wide range of population growth rates, level or declining standards of living, and little concern for their physical environment. Those who inquire will become aware of the universal failure of planned agriculture.

Others say that the gap between

the haves and have nots is increasing and that somehow the capitalist nations are responsible and should feel guilty. This is really the wrong comparison. It is not a question of have or have not but rather how well they are using what they have. Without question, there is a gap that is widening. But it is between nations that have conditions conducive to rising standards of living and nations that have conditions limiting the rise in the standards of living. For example, compare the widening gap between East and West Germany, remembering that both started from the same pile of rubble 25 years ago. Compare the widening gap between Japan and India. Compare the fortunes of Cuba and Mexico over the past generation, with the gap now widening in favor of Mexico. These widening gaps are to the credit, not the blame, of the free nations.

If I were to consider an appropriate objective for this age of increasing awareness of our environment, I would say let us first identify and understand those conditions which will provide the best total environment for the greatest number.

For the nations with free societies, the total environment is better and is continually improving. Individual economic freedom seems to be the key. Never before in

history has there been such a great opportunity to extend these free world concepts to all the people of the world. Never before have the comparisons between the free and controlled societies been so obvious or the communications to make them known so effective.

For those who want to take a personal part in environmental improvement, I would suggest that after they acquire an understanding of the preconditions of an improving environment they actively promote the implementation of these conditions wherever they are lacking. On a local basis, they should seek enactment and effective enforcement of appropriate environmental improvement laws based on the concepts covered earlier under water and air resources.

For purposes of pollution abatement, food production, and an improvement in other environmental factors, let us use the new technologies effectively — not abandon them. There is much to be done.

Personally, I am very confident that by the year 2000, for the free world, there will be clearer thinking on the matter of improving the total environment. There will be a realization that effective control and improvement in our environment requires no decline in our standard of living. On the contrary, it should continue to improve if all conditions are met. As

a result of effective local programs, there will be cleaner air and water. Food production capability will continue to exceed population growth. The trend that has already started toward a stabilization of the world population will be continuing — voluntarily.

Obviously, I cannot foresee future events; but I am certain that, given the condition of freedom, many more contributions to an improving total environment will be made by creative and productive individuals of this and future generations. 

Reprints of this article available, 10¢ each.

FOR ADDITIONAL READING OR REFERENCE:

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RESIST NOT EVIL

LEONARD E. READ

SOME TWENTY years ago FEE published a small book by Henry Hazlitt, *Will Dollars Save the World?*, a critique of the Marshall Plan. Over 90,000 volumes were sold and the response was overwhelmingly favorable. Later, a national magazine of enormous circulation condensed the book. The reaction from their readers was generally unfavorable. Why?

Condensation is the art of skeltonizing, leaving the subject bare of explanation, that is, with categorical statements standing alone. Ideas are communicated simply and understandably by explanation, not by abbreviation. Brevity may be the soul of wit, but only for those who already apprehend the idea; others miss the meaning.

Consider the Decalogue. Here we have Ten Commandments rather than ten explanations. These Commandments suffice for those who believe them to be the revealed Word of God, but these

wonderful and righteous thou-shalts and thou-shalt-nots have little if any enlightenment for non-believers; in their case, comprehension requires further explanation.

The above is but background for another Biblical injunction (Matthew 5: 38-39):

"Ye have heard that it hath been said, An eye for an eye, and a tooth for a tooth: But I say unto you, That ye resist not evil: but whosoever shall smite thee on thy right cheek, turn to him the other also."

These words, I believe, contain a remarkable truth, but in the form of a mere admonishment. Unless one explores the reasoning and insight behind it, this truth lives in darkness. Let's see if it can be brought out into the light.

I confess at the outset that my interpretation is possibly at variance with numerous other interpretations. Variation here is to be

expected, for who can say for certain what was *really* meant?¹ Perfect communication presupposes the perfect sayer and the perfect hearer. Conceding Jesus to be the Perfect Sayer, who among us can claim to be the perfect hearer? No one! Not only are all of us imperfect hearers but also we are up against the inaccuracies words have suffered by translation: Aramaic to Greek to Latin to English and so on. Absolute accuracy is out of the question as any competent linguist will attest.

To illustrate: What is meant by "The meek shall inherit the earth"? Assuredly, not the Mr. Milquetoasts which the present usage of "meek" suggests. That doesn't make sense to me. What does seem sensible is the Old English usage of "meek," meaning the teachable, the humble in spirit, the learners as distinguished from those afflicted with the little god syndrome, the know-it-alls.

Thus, any person's interpretation of "Resist not evil" logically rests on what makes sense to him, which is to say, on his idea of the ideal, on what his highest conscience dictates as right. This may not in fact be right but is as near to right as he can get. The original context, "Resist not evil," may

simply counsel nonviolence, but I am sure that the saying has wider overtones of meaning. It suggests that we do not try to construct our lives around a negation.

Some Signs of Enlightenment

To assess the relevance of "Resist not evil" in today's world, it is necessary to recognize several civilizing ideas that have come to light — though never wholly understood and practiced — since its pronouncement. Slavery then was morally acceptable, but today it is regarded in the West as an evil institution. The closed society is at least intellectually demolished and the tenets of the open society are no longer esoteric. During the last seven generations the principles of limited government and the rule of law have gained some recognition. Equality of opportunity for each individual, regardless of creed, color, race, or station, is not in question among enlightened people; the dignity of each human being is accepted, indeed, insisted on by many people! In numerous respects there has been some change for the better during the past nineteen centuries.

In the light of this moderate enlightenment, the admonition, "Resist not evil," relates to a different form of retribution than in New Testament days. It advised then against the practice of forci-

¹ See *The Interpreter's Bible* (New York: Abingdon-Cokesbury Press, Vol. VII, p. 301).

bly inhibiting evil; now it may be interpreted otherwise, for in an enlightened society it is the malefactor himself who invites being brought to justice. Ideally, at least, the taboos are codified, posted, and the penalties made known: "Do not jump off this cliff except at your own risk!" In the essentially free society the penalty for evil is not "an eye for an eye" as in Hammurabi's time or Matthew's time. The retribution is self-inflicted; the one who performs an evil deed initiates the penalty meted out to him. He asked for it!

Assuming mankind to have advanced in moral insight does not mean that good and evil have vanished from the human scene; they contest on higher levels. An act that wasn't thought of as an evil centuries ago — enslaving a person, for instance — may later be regarded as evil. With this recognition, freeing a slave is for the first time regarded as good. Or, to use another example: in the absence of moral sensitivity, certain overt acts may be evil, but there is nothing evil in only thinking about the acts. As the moral nature of an individual advances, the thought becomes as evil as the deed, and freeing self from such thoughts becomes good. In brief, as the moral nature ascends, man becomes conscious of evils never previously thought of as such. The

opposites are forever at work, once at a brutish level and later, perhaps, at a saintly level.

I infer from this line of thought that "Resist not evil" — assuming an enlightened society — moves to a new and higher plane. The confrontation not to be resisted is no longer at the eye-for-an-eye level of physical vengeance but at the thought level. Let me quote Aldous Huxley on witchcraft to make my point:

By paying so much attention to the devil and by treating witchcraft as the most heinous of crimes, the theologians and the inquisitors actually spread the beliefs and fostered the practices which they were trying so hard to repress. By the beginning of the eighteenth century witchcraft had ceased to be a serious social problem. It died out, among other reasons, because *almost nobody now bothered to repress it*. For the less it was persecuted, the less it was propagandized.²

During the first two years of FEE, a celebrated columnist of a persuasion quite the opposite of ours, devoted five of his columns to FEE, each a tirade loaded with gross misrepresentations. To us, at least, this was evil. But we turned away from this "evil," that is, we in no way resisted it — nary

² See *The Devils of Loudon* by Aldous Huxley (New York: Harper & Row Publishers, Inc., p. 128), 1952.

a rebuttal or acknowledgement! We provided this scribbler nothing whatsoever to scratch against, without which he could not continue. He gave up, never again mentioning FEE as long as he lived.

As in the case of witchcraft, I am convinced that much of the rioting and anarchy presently in vogue is stimulated and worsened by all of the attention paid to the malefactors, that is, by the resistance to these evils. What unenlightened people won't do to get themselves on TV or otherwise in the public eye! Publicity and notoriety hold more charm and inducement for such people than does greatness and fortune for others. "Resist not evil" counsels that they as persons be ignored, in the sense of not berating them.

And observe how attention to this axiom works its wonders in daily transactions. While most of our dealings with others are honorable and above board, now and then we experience shysterism: a broken promise, overcharge, underquality, an attempt to "get the best" of one. Resist not this evil; that is, pay no heed; not a scolding word; simply walk away and fail to return. While resistance will harden the malefactor in his sins as he rises to his own defense, nonresistance leaves him alone with his soul, his shop, and his

jobbery, a plight that even a malefactor will ponder and understand.

Second Blow Starts Fight

Confrontation is always of two parts: the confrontee and the confrontor. Neither one can exist without the other. This brings to mind the old Arab proverb, "He who strikes the second blow starts the fight." There can be no fight without a retaliation.

But is one to "turn the other cheek"? That seems to be what "Resist not evil" commends! Only to get socked again? Wrote Konrad Lorenz, the noted animal psychologist:

A wolf has enlightened me: not so that your enemy may strike you again do you turn the other cheek toward him, *but to make him unable to do it.*³

Consider what happens if one does strike the second blow. There follows a fusillade of blows until one or the other is done in, the victor no less a model of rectitude than the vanquished. All loss and no gain! Witness wars!

This analysis, however, is meant to engage our Biblical axiom at the ideological level. As previously suggested, this presupposes a civ-

³ See "Morals and Weapons," the final chapter in a fascinating book, *King Solomon's Ring*, by Konrad Z. Lorenz (New York: Thomas Y. Crowell Co.), 1961, a paperback.

ilization less brutish and more moral than marked earlier times. That the presupposition may be somewhat extravagant is attested to by the difficulty all of us encounter when trying to apprehend, let alone practice, "Resist not evil." Should this run counter to your instincts, you're not alone; it does to mine. And only by a resort to reasoning at an untrod level are my combative instincts revealed to be faulty. I have arrived at the point of not overtly "telling 'em off," but what I still think to myself isn't under control! Covertly, I still resist, and if that isn't all bad it is at least half bad.

Rationally judged, "Resist not evil" is counsel of the highest order. It cautions me not to argue with anyone. And let my case go by default? To the contrary, as the best way to win my case!

... assume to dictate to his judgment, or to command his action ... and he will retreat within himself, close all avenues to his head and his heart. ...⁴

In a word, away with confrontation!

Strict attention to this axiom has yet a further refinement. It is to refrain from ideological or philosophical discussion with any person unless I be seeking light from him or he from me. And what a waste of words and time this eliminates! Is this to hide our lights under a bushel? To retire to a do-nothing status? Again, to the contrary.

To waste neither words nor time is to make way for productive and constructive effort: learning the principles of freedom and the fallacies of its opposite, and how to explain them. If we learn these things — which presupposes your and my seeking — then others will seek from us. When confrontations are abandoned, the way to enlightenment is open. Instead of two squared off against each other, there stand two peacefully gaining from each other or, at least, one from the other.

To resist evil is to sustain, encourage, and prolong it; to resist it not is to substitute questions and answers for blows and counterblows; it permits the practice and the sharing of such truths as any of us may come upon. And is this not the proper path for human progress?

⁴ Abraham Lincoln.

THE ROLE OF A CONSERVATIVE

BERTEL M. SPARKS

Concerning the peculiar switch of the "liberal" and "conservative" positions on business matters in contrast to social and political issues.

IT MIGHT appear unnecessary or even redundant to inquire, "What is the role of a conservative?" The obvious answer would seem to be that the role of a conservative is to conserve. But if any serious effort is made to apply that definition to popular usage in present-day society, a number of perplexing problems are raised. The perplexity becomes most apparent in the industrial world where the material goods human beings need or desire are being produced. Those who want to preserve existing ways of doing things and prohibit the introduction of any labor-saving devices or any newer products that might be better and therefore might replace the less attractive ones now in use are called liberals. Those who are eager to accept any new techno-

logical development that might enhance the material well-being of mankind or reduce the amount of human drudgery necessary to survival are referred to as conservatives. The very people who want to preserve the old ways stubbornly insist upon identifying themselves as liberals while those who are always ready to discard the old and accept every new development that promises to produce more goods with less effort are dismissed as conservatives. It is a strange world.

A liberal who is confronted with the propositions made in the preceding paragraph is likely to deny them. At least he is likely to deny them so long as they are presented to him in the abstract form indicated above. But when the same statements are reduced to concrete terms, most liberals will embrace them without hesitation. The reason for this para-

dox is that the typical liberal has already taken flight from reality and has found refuge in his embryonic cocoon where he enjoys spinning his theories without being disturbed by any encounter with the concrete facts of life. A few simple examples, taken from among many that might have been used, will serve to illustrate the point.

Featherbedding Policies

If the railroad industry develops a locomotive that is more efficient than the coal burning variety, can haul heavier loads at less expense, will reduce the air pollution problem, and promises to lower the danger of fires caused by flying sparks along the tracks, the liberal objects to having the new machine put into operation. He says it might frustrate some of the employees already accustomed to the old coal burner. The railroad company gets to use its new invention only after agreeing to maintain a seat for the coal shoveler in the cab of the locomotive and pay the shoveler to sit there even though there is no coal to shovel. The one who says that the new device should be put into operation as soon as its effectiveness is demonstrated is called a conservative. The conservative might even point out that the newer and better machine will lower transportation

costs and that this in turn will leave more money in the pockets of travelers and shippers and tend to lower the prices of the commodities being shipped. He might also suggest that the money saved would be spent on other products which the travelers, shippers, and consumers were previously unable to afford. If this natural chain of events should be permitted to take place, the obsolete coal shoveler would be needed in the production of the new products. But the liberal will label any such willingness to elevate the material well-being of the entire society to a higher plane as not only conservative but extremely reactionary. And after once being told that it is antisocial to give better services at lower costs, the railroad company will be discouraged from any new undertaking and the community will never know what other improvements it might have forfeited by its adherence to the liberal's definition of "social justice."

For the one constant in the liberal's definition of "social justice" is an absolute refusal to make any allowance for possible improvement in the state of the arts. Everything must remain as it now is. If advancing technology reduces the need for coal or introduces the possibility of mining more coal with fewer miners, the liberal sees this as necessitating a compulsory

levy in the form of taxes upon the producers — and ultimately the consumers — of other goods to pay the miner to sit near the mine whether he does any mining or not. Any suggestion that the miner should be permitted to engage in the more rewarding task of producing newer products that would be bought by the taxpaying consumers if their incomes had not been expropriated to pay the miner to sit by his unwanted mine is viewed as too conservative to be respectable.

On the other hand, if better ways can be found for heating homes and operating factories or if coal that is needed for these purposes can be obtained at less expense and without the necessity of sending a human body into the ground, the conservative is likely to be in a mood for rejoicing. He will be grateful that the miner can be released to produce something else in order that the material well-being of all, including the miner, can be elevated.

The same result prevails on the farm. If the farmer learns how to produce more food with less work, the liberal insists that all the farmers and farm workers now on the farm must remain there anyway. They must all stay there and the productive capacity of other members of society must be expropriated to pay the ones that

are no longer needed. The surplus farmers will be paid to stay on the farm but refrain from producing as much as they could. But the conservative welcomes the improved productive capacity. He will encourage farmers to use the very best techniques of which they are capable. He will be glad as the excess workers leave the farm to enter the production of other commodities which heretofore have been viewed as luxuries by all except the wealthy few but which can now be made available to everyone at modest cost.

One of the best illustrations of the liberal's passion for maintaining the status quo is his attitude toward growth in population. Periodically throughout history he rediscovers a simple principle the conservative has known all along. That principle is that if the state of the arts, that is to say, the quality or condition of the tools of production, remains constant and the people continue to reproduce at an expanding rate, the quantity of goods per person will decline. The writings of present-day sociologists on this subject tend to indicate that the principle itself has just been discovered. The truth is that it has been known for ages, having had as its most famous exponent a man named Thomas Malthus who was writing his pessimistic pronouncements more than

a hundred years ago. The liberal's remedy for this malady is to search for some way to limit human reproduction. The conservative is more likely to look upon it as a challenge to invent new machines, make new discoveries, and learn ways of producing more goods with less labor.

Thus it can be seen that there is no end to the number of illustrations that can be piled up in the industrial realm, all illustrating the same attitude toward material well being. Liberals always fear that the balance will somehow be upset if any improvements are made. In the 1930's they conceived the notion that the ideal level of comforts and conveniences had already been passed and that the nation was suffering from having too much. The solution offered was that of plowing under every third row of corn, killing every third pig, and performing numerous similar acts, most of which were viewed by the conservatives as sheer foolishness. The conservative prefers to leave the producer free to produce whatever he wishes in whatever quantities he can.

The Conserving of Freedom

In view of the conservative's eagerness to accept every new technological development designed to improve man's lot on

earth and in view of the fact that he is always found in opposition to those who want to conserve the existing state of the arts, one wonders what claim he has to being identified as a conservative. A possible explanation is that he did not chose the name in the first place. It was thrust upon him by his enemies as a term of derision. But the conservative has accepted his unsolicited title and in doing so has discovered that he really does have something worth-while to conserve. And that which he has to conserve is of far greater importance than anything he is prepared to discard.

The primary goal of a conservative, as revealed by the writings of persons identified by that name, is to conserve freedom. And by freedom he means personal, individual freedom. It is a freedom of choice, a freedom to work or not work, a freedom to live in the country or move to the city, a freedom to choose his own occupation and to live by the fruits of that occupation. The conservative looks upon this freedom to choose as the thing that separates human beings from the lower animals. It is a part of man's nature. Thomas Jefferson said it was given to man by his Creator. In any event it is natural and original. It is not the gift of any state or social organization of any kind.

Although the conservative never views the state as the source of freedom, he does view it as the agency whose duty it is to maintain a condition compatible with the exercise of freedom. And as he sees it, that condition of compatibility is a condition of order. Since he realizes that freedom cannot exist without order, he concludes that the greatest problem of government is the problem of reconciling the freedom of choice with which man is born with the exercise of an authority necessary to preserve order. All his views on government are built around that basic core. And if he sometimes appears overzealous in his concern for the preservation of freedom, it is because he realizes that there is always a danger that any authority that is adequate to maintain the order necessary to the existence of freedom might exceed its proper function and encroach upon freedom itself.

As a student of history, the conservative has seen that encroachment take place on too many occasions to be treated lightly. He realizes that although perfect freedom has never prevailed anywhere in the world, economic progress has always been directly related to the extent to which simple freedom of choice has been permitted to exist. Thus he sees a twofold good in the maintenance

of freedom. It is an essential aspect of man's dignity as a man and it is also the quality or condition of life that is essential to economic growth and the improvement of material well-being. Newer and better products are produced and more efficient processes for manufacturing the things human beings need or desire are developed when men are free to develop and produce whatever they desire in the most efficient manner of which they are capable.

The True Apostle of Change

In this light the conservative emerges as the true apostle of change. He is so thoroughly convinced that human wants are insatiable that he never has any fear of having too much. He knows that in a free society all men are both producers and consumers and the only way any member of society can improve his own lot is by producing more of the things other people want and for which they are willing and able to pay. Freedom then becomes the natural stimulant for the development of newer and better ways of relieving human drudgery and providing more comforts and conveniences for all. So convinced are conservatives that an improvement in economic well-being is a desirable goal that they find it difficult to understand the reasoning of

modern academicians whose chief worry seems to be that in the "affluent society" which freedom has made possible too many manufacturers are devoting their efforts toward producing the things people want! The professed worry is that in a free market human wants are not properly educated. They are too much influenced by the manufacturers' competitive advertising of their products. It seems that the liberal academician would prefer to have a government agency tell the people what would be best for them and introduce new products only when the agency was satisfied with their merits. Under this arrangement, if the appropriate agency was unable to find any value in decorative fins on automobiles, individual consumers would be deprived of their use regardless of how much pleasure such consumers might derive from indulging their "uneducated wants." The result could be a rather dull, drab, and standardized world. The conservative accepts Jeremy Bentham's dictum that "no man can be so good a judge as the man himself, what it is that gives him pleasure or displeasure,"¹ and he would allow every man to select for himself without any official inquiry into

whether the selection was wise or foolish.

The true role of a conservative, then, is to conserve freedom. Too often he has failed to make that role clear. He has unwittingly allowed the enemies of freedom to misrepresent their own position and his as well. When accused of being enemies of change, conservatives have often defended themselves by saying, "We are not opposed to change but we do object to this particular change," or "We object to such a rapid rate of change." These defenses are false. The truth is that a conservative never objects to any change, regardless of the speed at which it is accomplished, so long as it is a change made by free human beings acting on their own volition without being coerced by any outside force. On the other hand, he is opposed to any change that encroaches upon the individual's freedom of choice in matters concerning his own affairs. His one political principle is the preservation of the conditions that make freedom to change — and therein change itself — possible. This is the foundation upon which his entire philosophy rests and it is the foundation that must be made known in the political market place if either the conservative or the society in which he lives is to survive.

¹ Bentham, *Principles of Morals and Legislation* 172 (Oxford at the Clarendon Press, 1907).



To a Friend

ROBERT W. DEMERS

TODAY I was running through the names of people I know — and knew — and was unhappy to find that I no longer have anyone with whom I can converse, except you. Actually, I never could talk with anyone the way I've talked with you, so I guess I haven't the grounds for unhappiness that I thought I had.

This is not an attempt to flatter, praise, or what-have-you, merely stating things as they *are*. In so doing, I reinforce in my thoughts and considerations the truly lamentable fact that, by and large, we are so obsessed with speed that we are by-passing the only true, productive aspects of living on this earth.

In the era before we were consumed with the glitter and tinsel of technology, we had time to place

greater and truer emphasis upon the fruits to be harvested from quiet thought, meditation, and contemplation. The prologue for these exercises was always conversation, discussion, and just plain talkin'. Nowadays, if it's done at all, it's "dialogue," which is so much more appropriate to play-acting, make-believe, pretense, and sham.

Of course, we must observe that this word *dialogue* has been perverted and prostituted like all else, for it was originally associated with writing: "Written composition involving reasoning between two or more persons. . . ." (*Webster's*) One could anticipate more genuine and serious thought to be invested — or manifest — if what was to be presented had first to be written. And what does "to be written" imply? The investment of *time*, that precious element

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through which we pass one time only, and which we squander with such reckless abandon. Because we hurry, we trick ourselves into falsely believing that we've done more with time; but as my Grandmother used to say: "You cannot spend tomorrow's hours today, without someday having to catch up, and at that moment you find these hours have been lost to you forever."

Once upon a time we realized that the only time we truly have is the here and the now, so we planned for tomorrow, realizing full well that it might never come. Now, one thing only is acceptable — to look forward to tomorrow, to the exclusion of the here-and-now and to the exclusion of all thought or consideration of one's end, in toto, in time. We erroneously think we're planning for tomorrow; but it is far from planning, it is rather anticipation and expectation, purely presumptive reactions, devoid of consideration and realistic preparation based upon genuine entitlement.

Our demands, our expectations, our "rights" have superseded our duties and responsibilities. Instead of taking and accepting graciously and appreciatively, we grasp and snatch greedily. Instead of diligently seeking with humility, we crow and blow with such a know-it-all attitude. Instead of reaching

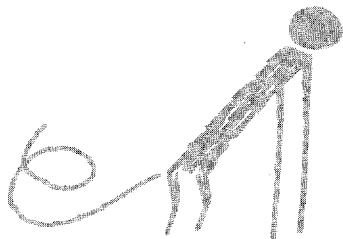
out and exercising that great, untouched intellectual potential which is our blessed gift, we prefer rather to sit back and indulge and overindulge our extremely limited and restricted passions and bodily comforts in a repetitive, animalistic way. Small wonder, then, that already we treat one another like beasts!

Can we honestly say, as a small minority lawlessly tears up communities physically and psychologically, with the majority refusing to do anything, that we are behaving much above a primitive animal level and are deserving of any other treatment than that accorded untamed beasts?

The animals of the pasture make an orderly contribution to our society, but they have no choice. We, people, you and I, we have a choice, though the choice is contingent upon our fulfilling a duty and a responsibility. What high and mighty *Man* forgets with amazing ease is that if the privilege and prerogative is not exercised, then man reverts to an even lower and more base form of behavior than the animals of the field. There is an abundance of historical, concrete evidence to support this observation. Denial only emphasizes our own potential self-destruction.

You've been a perfect "listener." Not one interruption! 

HENRY ANDERSON



THE 1960's were distinguished, among other respects, by a series of best-selling books which began with *African Genesis*, by Robert Ardrey, published in 1961. Something in this work caught the popular fancy, and it rocketed through seventeen printings. Publishing houses are not oblivious to intellectual fashions. In the years since, we have had six printings of *The Naked Ape*, by Desmond Morris; eight printings of *On Aggression*, by Konrad Lorenz; Ardrey has succeeded himself with *The Territorial Imperative*; Morris has succeeded himself with *The Human Zoo*; there have been dozens of other workings of the same lodes.

This article is reprinted by permission from the May 6, 1970, issue of *Manas*. Mr. Anderson, a Research Specialist with the California State Department of Public Health, is author of a book to be published this fall by Crowell, *So Shall Ye Reap*.

The denaturalization of human nature

Despite considerable differences in the backgrounds of the authors, and disparities in emphasis and tone, this cycle of books has in common certain basic assumptions which, it would seem, may fairly be summarized as follows:

First: All posit that man is limited, "programmed," imprisoned by his animal heritage. The sometime British gerontologist, novelist, and lyricist, Sir Alex Comfort, in a book entitled *Nature and Human Nature*, pursues this doctrine further than most, to assert that man "carries with him . . . heirlooms" not only from butterflies, boring beetles, and baboons, but also "from his inorganic . . . past."

Second: All these works assume that the doctrine of instincts applies equally well to man, apes, reptiles, birds, fish, and insects,

although some hedge with the term "drives," and Ardrey employs the contradiction-in-terms "open-ended instincts."

Third: All imply, and some state flatly, that not only is man *not* superior to other animals as he frequently flatters himself: he is lower than they — he is more bestial than any beast — in his sexual promiscuity, and even more particularly in his predatoriness and pugnacity. As Ardrey has it, he is a killer ape.

Fourth: "Liberal optimism" and "romantic fallacies"—which is to say, any viewpoints to the contrary — are bootless or worse than bootless. The only hope for man lies in abandoning his deluded efforts to be decent, rational, just, and merciful, and embracing the fact he is inherently irrational and murderous. The details of how this might work in practice are understandably vague, but apparently wars and race hatreds would end if men were no longer repressed in their instinctual desires to vent their bloodlust on objects closer to hand: parents, perhaps; or wives.

Fifth: These books, however, do not strip man of quite all his human qualities. He is left with a few darker, neurotic characteristics. And then, in a grand, final paradox, the bolder of the New Biologists impute these "human"

attributes to other animals, just as they have already assigned "animal" attributes to man. This doctrine is articulated, for example, in *The Soul of the Ape*, by Eugene Marais, published posthumously with a "glowing introduction" by Ardrey. Marais argued that chacma baboons suffer from "hesperian depression" and use intoxicants to escape from "the pain of consciousness." Thus, in the end, man is denied even his neuroses as distinguishing qualities, and left with no peculiarly human nature at all.

Beyond the Apes

There will be no attempt here to review these propositions systematically — or the very long, very old controversy over nature and nurture of which they are only one manifestation. Suffice it here to say that just because a Viennese ornithologist, a Transvaal lawyer, a British botanist, and an American playwright asseverate that men are more animalistic than apes, and apes more human than men, does not necessarily mean that these asseverations are true. Many alternative propositions are available, and they are not without their own forms of evidence, and advocates. The very process of reviewing alternatives, for example, and choosing deliberately between

them, is wholly inexplicable in terms of instinctivism, or any other form of reductionist psychology or anthropology.

Perhaps one may dismiss Sartre as a mere philosopher when he contends man is by nature free and there is no exit from his freedom. Perhaps one may dismiss Buber as mere Hasidic humanist when he writes:

Man is not a centaur, he is man through and through. He can be understood only when one knows, on the one hand, that there is something in all that is human, including thought, which belongs to the general nature of living creatures, and is to be grasped from this nature, while knowing, on the other hand, that there is no human quality which belongs fully to the general nature of living creatures and is to be grasped exclusively from it. Even man's hunger is not an animal's hunger. . . .

Perhaps, too, one might choose to dismiss Maslow and the whole emergent field of "third force," existential, or humanistic psychology as too soft-hearted and optimistic for one's taste. But one would then still have to argue with Ashley Montagu, who first achieved eminence as a tough-minded natural scientist, colleague of Julian Huxley's, and observer of the "culture" of wild birds, who reached the mature conclusion that there is a quantum jump from

other species to *Homo sapiens*. And one would have to argue with the even tougher-minded Nobel Prize-winning geneticist, Joshua Lederberg, who states that he has yet to find any evidence in his studies for the inheritance of human behavioral characteristics, and specifically repudiates the doctrine of the innate depravity of man. And one would have to argue with the five-and-a-half-year-old girl who recently told me, in the wisdom of her years, "People are better than cats, because people have a sense of humor and cats don't."

Why Take the Dim View?

For the sake of discussion, let us say that all the evidence is inconclusive, that the old "heredity vs. environment" controversy is still open, and that the final answer on the nature of human nature (or, for that matter, animal nature) is not yet vouchsafed us. Let us turn, instead, to a question which is scarcely less intriguing, but very much more modest in scope and approachable in method: Why do people choose to embrace one theory about their own natures, as against others which are at least as plausible, when they have a choice?

Why did the "killer ape" books sell hundreds of thousands of copies, while Fromm's *Revolution*

of *Hope*, for example, sold only a few thousand? Why did fashion change so drastically from the 1950's, when the nonfiction best-sellers were *Kids Say the Darndest Things* by Art Linkletter, *Twixt Twelve and Twenty* by Pat Boone, and *Only in America* by Harry Golden, to works of profound helplessness and hopelessness, pointing toward human extinction, and indeed denying that man has ever existed as man at all?

We have available to us now, more than people have ever had available to them before, a wealth of hypotheses about who we are, and where we are going, and where we should be going, and why. Never before have men had such a plenitude of possibilities among which to choose. Why have so many of them chosen to think they are unthinking brutes? Why, particularly, have people who buy and read books — the best-educated, most privileged people who have ever lived in this world — used their very freedom to deny that they are free?

There used to be a subdiscipline called the Sociology of Knowledge, which addressed such questions as these, before sociology itself became a reductionistic science. Because the Sociology of Knowledge relied on insight, which is no longer an accepted method, and did not lend itself to the statistical survey,

almost the only recognized method today, it apparently no longer has any academic standing. But if sociologists will not touch the important sociological questions, then someone else must, for they are vital questions.

Human Qualities Recently Acquired

Here is one interpretation of the fact that a great many literate persons, during this particular period of time, in this particular social-cultural-economic-political setting, have chosen to believe a radically dehumanizing body of conjecture about their own natures: man does not yet feel entirely comfortable with his distinctive condition, shorn of the instinctual gyroscopes which guide other species through most of their existence. Man does not yet feel altogether at ease with the requirement that he has to decide for himself what he is going to eat, what he shall wear, if anything, and every other event in his life, from the most trivial to the most momentous. Man does not yet feel secure with his great feelings of love, or with the fact he has a sense of honor, sense of history, and sense of humor that are better than a cat's. He has, after all, had only a short time to grow accustomed to such characteristics. Perhaps, when all the evidence is in, it will prove to have

been only a few tens of thousands of years.

The necessity to review alternatives and make choices, moment by moment, day by day, year by year, often seems wearisome. The more alternatives there are, and the more information one has about each, the more onerous it is to make decisions. Sometimes it grows agonizing, and sometimes it seems next to impossible. How much easier to let someone else make the choices! How alluring, how beguiling, how tempting to search for some force, some agency exterior to ourselves, to blame when a decision turns out to be mistaken!

Probably the most notorious example within living memory, of man's temptation to avoid the burdens of choice and responsibility was the willingness of most of the German people to turn over their decision-making to Hitler. But no culture yet devised, including our own, has proved immune to this temptation—particularly in times of crisis, which is but another way of saying times when decision-making becomes most difficult.

Search for a Scapegoat

Thus, for example, the vogue of Freudianism in our society cannot be explained wholly in terms of the intrinsic merits of the doctrine

itself. The doctrine is full of inadequacies: demonstrable realities which it cannot explain, and elaborate reification of theoretical constructs which have no existence in fact. But Freudianism happened to become widely available at a time when old verities were crumbling, young people were alienated and restless, older people were confused—a time, during and after the First World War, not unlike our own.

How comforting it was to be able to buy absolution from the new priesthood of psychoanalysis: absolution from the pain of freedom and its attendant responsibilities. How comforting to be able to blame everything on a universal scenario in which no actor was accountable for his acts: boys couldn't help having problems because they couldn't help wanting to go to bed with their mothers, and kill their fathers, and all the rest of it.

As America, and Western civilization generally, lost faith in their own reasonableness and goodness, Freudianism was by no means the only suitor for displaced *amor proprio*. Many other candidate theories entered the lists and had greater or lesser success in jousting for the favor of man's self-doubt and disillusionment. McDougall and his school of instinctivism anticipated the New

Biologists by fifty years. Terman and the psychometrists reduced everything to I.Q. and other standardized tests. Kretschmer and the somatotypologists had their day. Hooton and the eugenicist racists had their day. And not only did Watson and the stimulus-response behaviorists have their day — their day is not done. More psychologists are probably still committed to that form of determinism than to any other.

But none of those doctrines has really solved or absolved anything or anyone. The world seems to be falling apart, worse than ever. Nothing we do seems to go right. If we discipline our children, as the behaviorists say we should, they run away from home and take to drugs and the gutter. If we indulge them, they do the same things under our very eyes. The more we give rebellious students, the more they seem to rebel. The more concern we turn to the situation of the poor, and racial and ethnic minorities, the more “ungrateful” and “demanding” these groups seem to grow. And hanging over everything, constantly, is the doomsday machine. We feel ourselves crushed by questions which have no answers, by problems which do not retreat before our best efforts to approach them with reason, decency, and generosity. Nothing seems logical or

fair, as we have traditionally reckoned logic and fairness.

Seeking a Way Out

So a lot of us are giving up. We are yielding to the old temptation. We are looking for a way to flee to some womb, some cradle, some person, or organization, or theory, which will murmur to us, sweet and low, “There, there. Don’t worry. It’s none of your doing. It’s not your fault. It’s out of your hands.”

Something of this sort must account for the spectacle of otherwise rational people turning to astrology. The vulgarized modern version of astrology offers the completely logic-tight alibi. If one has an unchecked temper, is a miser, is unfaithful to his wife, or whatever, he is blameless. He was born under the sign of Scorpio, when the moon was in the seventh house of Venus, and so forth. The understanding of Shakespeare is now stood on its head: “The fault, dear Brutus, is not in ourselves, but in our stars, that we are underlings.”

Others are finding solace in equally superficial versions of Eastern philosophies which are taken to mean there is no good or evil, all questing is futile, everything on earth must be accepted just as it is. There are many other closed systems from which

one may choose. Cybernetics, to name an example which is relatively "respectable" intellectually. Scientology, to name one which is not. The old warhorse, Marxism, is still available to those who find it reassuring to be able to refer every human question (including evolution) to a class struggle.

The New Biology

And now comes the so-called New Biology, offering to grant surcease from the cares of being human. But for all the colorful new phraseology in which it may be couched, it is actually another tired warhorse, far older than Marxism, Freudianism, or Pavlovianism. Man's efforts to link himself with other animals have been very common throughout history — as they no doubt were in prehistory — being elevated to the status of religion in many cultures. This effort received its greatest intellectual impetus from *The Origin of Species* in 1859. Or, rather, from Neo-Darwinists who came later, and believed they could serve their mentor best by extending his ideas to all things, biological and social. Darwin himself was too much a scientist, and too much a human being, to claim that the processes he postulated in other species were necessarily binding upon the one species conscious of itself.

The terminology is different;

the new biological determinists call themselves Ethologists. The evidence grows more sophisticated, as more fossils are unearthed in Tanzania and the Transvaal. But, at bottom, the appeal is the same as that advanced by other dehumanists at other times in other places: you had best jettison that sentimental nonsense about free will, and get in step with your biologically ordained destiny. You are only a very intricate machine, and by trying to be something more, you are just short-circuiting your computer program, and making yourself miserable.

Are Jews and Arabs locked in a death struggle, which may turn into World War III? Is that what's troubling you? Forget it. They are only doing what comes naturally — acting out the territorial imperative. Worried about the conflict between communism and capitalism? Forget it. Worried about a dehumanizing job, a dehumanizing marriage, a dehumanizing education? Forget it. None of these is a biological problem and therefore none of them is real. Since there is no such thing as humanization, there can be no such thing as dehumanization.

The Meaning of Responsibility

Because such a world-view makes everything so simple and undemanding, it is a very attrac-

tive escape route for large numbers of people. But its vogue will be brief, and all but the truest true believers will soon be looking for other approaches to the problems of being human, for two good and sufficient reasons. First, because doctrines of biological determinism, applied intact to man, are false: all are helpless to account for the overwhelming evidence which anyone can see for himself by looking inward upon the rich, unpredictable, unending dialogue which takes place within himself, and within every healthy human being, during virtually every waking moment. There is no way man can turn off his brain and plug into an instinct-board or any other kind of equipment which will dictate his actions. Every moment is a decision; the sum total of those decisions is a life. If a man acts selfishly, cruelly, aggressively, it is not because any black gene, or any misanthropic molecules wandering through his central nervous system, compel him to; it is because he has chosen to do so. If he acts lovingly, it is because he has chosen to do that.

Secondly, all the fads and fashions which are momentarily enticing because they seem to sanction the denial of responsibility — all the literature of “the diminishment of man,” as Archibald MacLeish called it in his *Founder’s*

Day address at the University of California last year — all this will falter and fail, not only because it is false, but because it is so unpleasurable and unsatisfying. There is another side to freedom and responsibility, thought and will and choice, besides the terror and pain of it. Sometimes one is bound to choose badly, no doubt, but in any lifetime one will sometimes surely choose well, too. And therein the unique human joy, and the unique human glory. No comfort which any dogma may confer can compare with the oceanic feeling of accomplishing something innovative and distinctive; of making a difference, even a small difference, through one’s personal efforts; of holding fast to one’s own craggy integrity; of disbelieving when everyone else believes if that is what one truly feels; of believing when everyone else disbelieves, if that is necessary to keep faith with one’s self. In short, no form of determinism has ever offered or will ever offer any reward great enough to compensate for the loss of being a real person.

The “killer ape” and other reductionist theories will pass. More adequate, more humane, and therefore more satisfying alternatives will be selected from the great smorgasbord of ideas, hypotheses, theories, which make this such an

unprecedentedly exciting time to live—a time in which the perils are exceeded only by the possibilities.

However he may try to distract or suppress it, man has an ineradicable hunger for authenticity, an itch to use the capacities which are his alone. Since he is capable of oceanic feelings, capable of creative thought, capable of becoming an autonomous individual, cap-

able of changing, he can never be reconciled with his own deepest yearnings unless he feels those feelings, thinks those thoughts, becomes that unique being, and then goes on to surpass himself.

Nostrums which promise relief from the burdens of uncertainty and openness give only fleeting relief at best. Then the itch to be human begins again. 

Ground for Optimism

TO TAKE half a million laborers a year for a period of years, coming to us from a state of poverty, bringing nothing but their two hands, and put them on the road to prosperity was no small achievement. Superficial observers pointed to the slums of our cities and were impressed by their permanency. They did not look closely enough to see that, though the slums continued, the personnel of the slums changed. The slums were like a reservoir, fed by one stream and drained by another. The reservoir seems to be permanent, though the water changes. The newly arrived immigrants formed the stream that fed the slums. Their promotion to positions that brought greater economic prosperity was the stream that drained the slums. This ought to have been, and was to those who understood it, ground for optimism.

IDEAS ON

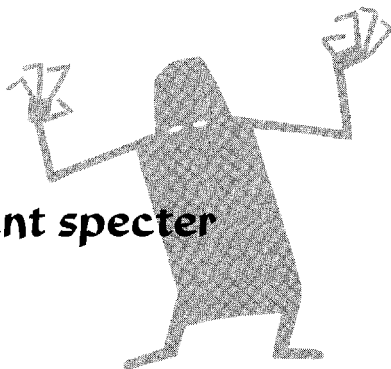


LIBERTY

THOMAS NIXON CARVER, *The Present Economic Revolution in the United States* (1925)

ASIA

the impotent specter



HARRY LEE SMITH

NORTH and South Vietnam combined are economically smaller than Greater San Diego. The economies of Laos and Cambodia together are no match for that of Newark. Switzerland has a gross national product greater than that of all Southeast Asia, which is about the same as that of Los Angeles.

Potential military might bears little relationship to national area or population. Of the many factors which might be considered, economic size best determines a nation's ability to finance standing armies, to produce or purchase weapons, and to cross oceans. Without economic strength, especially of the industrial variety, a nation is little threat to an enemy or aid to an ally.

All of Communist Asia is economically smaller than California and much smaller than industrial-

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ized Japan. All of Asia, exclusive of Japan, is economically no match for our Eastern Seaboard. Had Southeast Asia and Korea fallen to communism along with China in 1949, we doubtless would have written off the entire area to the enemy and changed our defense perimeter accordingly.

Of course, economic size is not the only measure of military menace. Cuba is economically slightly larger than North Vietnam; yet Havana's proximity makes it a greater threat to our territorial integrity than is Hanoi. Because of its industrial base, Czechoslovakia may be a greater threat than is Indochina, though they are economic equals.

Our struggle with communism has one central deterrent: we must avoid World War III. While fighting in Vietnam, we are effectively constrained from attacking Moscow whose concentration

of military power is greater than that of all other communist areas combined. The satellite nations of Eastern Europe are economically larger than China, and more important to communist power than is Asia, yet we can do nothing to help them militarily even when they struggle for freedom.

There is an outstanding exception to the correlation between economic size and military potential. It involves fighting on home ground rather than overseas. Tiny North Vietnam, even bolstered by foreign aid, is economically smaller than San Diego county; yet, the North Vietnamese have been able to hold American and South Vietnamese armies at bay for nine years. Of course, the American arsenal lacks the indispensable weapon of consensus. Nevertheless, an army of half a million men supported by \$30 billion in yearly expenditures, can only be termed leviathan by historical standards. Many thoughtful Americans feel that this effort coupled with rising taxes, inflation, dissension, and 40,000 deaths, is effectively draining us economically and emotionally of reserves which might be needed in some future more significant contingency. Others hope that this sacrifice will provide an ideological victory over communism.

The illiterate Asian peasant,

earning \$100 per year, is bewildered by the conflicting ideological and economic theories of Adam Smith and Karl Marx, neither of which is particularly applicable to his pastoral economy. His welfare is based on being left alone. Although he doubtless detests the cruelty of his brutalized brothers

**POPULATION AND
GROSS NATIONAL PRODUCT
1967**

	Population (millions)	G N P (billions)
Southeast Asia:		
South Vietnam	17	\$ 2.0
Laos	3	.3
Cambodia	7	.9
Malaysia	10	2.9
Thailand	33	4.3
Burma	26	1.8
Total	96	\$12.2
North Vietnam	20	2.0
Cuba	8	2.6
Switzerland	6	13.9
Eastern Europe	120	101.4
China	720	64.8
Japan	100	100.0
All Asia (except Japan and Near East)	1,600	160.0
U.S.S.R.	236	229.0
U.S.A.	199	730.0
California	19	88.3
Los Angeles	3	13.0
Greater San Diego	1.2	5.6
Newark	.5	2.1

Source: Data for U. S. cities extrapolated from U. S. Statistical Abstract, 1969. All other information based upon World Bank Atlas, 1969, published by International Bank for Reconstruction and Development.

from the north, he is also confused and demoralized by an interminable war of liberation fought by French and American armies in his rice paddies.

The form of communism generally embraced by primitive peoples differs from the industrial communism of Europe. The great ideological rift in the communist world is worth many military victories in Asia. Russia has departed from strict Marxist tenets to adopt state capitalism. The Chinese purists vehemently denounce this deviation. They, in turn, have adapted Marxism to a peasant economy as opposed to the proletariat. Indochina, by its very nature, would adopt peasant Marxism if converted, thus adding to the communist rift. Even under these circumstances, it is doubtful whether Southeast Asia would become closely allied with its traditional enemy, China.

Communism is merely aggressive socialism. In the U.S.A., the socializing process has been intensified during the past forty years and has now erupted into carbuncles of hard-core revolution. Many well-armed nations have fallen through treachery, and this process may be more menacing to our future than is the communizing of peasants thousands of miles away.

Nothing hastens the transition

from capitalism to socialism more surely than does heavy taxation. It is immaterial whether these taxes are used for social welfare, for weapons, or for war. When we pay another nation's bills or fight another nation's war, the process helps to socialize the United States.

Asia, communist or otherwise, has overwhelming problems which effectively neutralize her impact on the twentieth century. When Russia builds an extra 100 missiles or ten more nuclear submarines, the balance of world power is more severely affected than by the ebb and flow of events in pastoral Asia.

The paradox of militarism in a free society has plagued the world for centuries. Over 2,500 years ago, the Athenians were menaced from Asia. Yet, despite repeated attacks by the mighty Persians, the Athenians refused to enslave themselves militarily as did the Spartans. Instead, they resorted to special arming when necessary, as was the policy of the United States until recent years. Both Athens and the United States relied on their wealth and industrial might for security and refused to jeopardize this base through the excessive taxation required for powerful standing armies. This calculated risk resulted in the greatest heritages of wealth, cul-

ture, and technology the world had known in each case. The Athenian victories at Marathon, Salamis, and Plataea, against incredible odds, would seem to vindicate a faith in the invincibility of the free individual human spirit.

It is in individualism that America has always found strength and

wisdom. Faith in God and self has been to our best interests.

Removing a huge army and its equipment from a remote area cannot be accomplished overnight. But an understanding of the economic and political realities of Asia ought to help get the job done.



The Vital Secret

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.

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.

IDEAS ON



LIBERTY

Throttling the Railroads

5

Early Regulation 1887-1918

THERE have been three stages of government regulation of the railroads, though a fourth one appears to be taking shape in recent years. The first stage was that of state efforts at regulation and control, a stage which encompassed such regulation as there was until 1887. In the second stage, 1887-1920, the Federal government began its regulatory intervention and to occupy much of the field. The third stage is bounded by the years 1920-1958, and the Federal government has been the dominant intervener in this period. Since 1958, governments have begun a hesitant shift

back toward the much earlier practice of offering subsidies to the railroads.

There have been two different levels of restrictive intervention which cut across the chronological stages. The most obvious level is that of direct governmental intervention by which governments acting by legislation or through commissions have regulated, controlled, restricted, obstructed, prescribed, taken over, aided, or inhibited the railroads in the conduct of their business. The other level is the one on which governments have interfered indirectly by the empowering of labor unions to carry on their activities of extracting agreements from the roads as to working conditions and wages, have aided and

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subsidized competitive modes of transportation, and have in various ways established surrounding conditions within which railroads operate.

There is no need here to dwell on the first stage of regulation — that by the states before 1887. Suffice it to say that many of the devices and objects of regulation were introduced and tried by the states, such as the establishment of regulatory commissions, prescriptive legislation, rate control, and requirements as to service. The extent of such regulation varied, of course, from state to state and from time to time. Some of the Midwestern states made the most extensive and restrictive efforts. State regulation did not end, either, with the beginning of Federal activity in 1887; certain intrastate rail operations have continued to fall under the states; but, increasingly over the years, the Federal government has pre-empted more and more of the field.

Federal Intervention and the Crisis of World War I

In any case, the damage done to the railroads by the states was spotty, sporadic, and tended to be localized. Not so, that of the Federal government. The Federal government's intervention intensified from its beginning in 1887 until World War I; the effects reached

to virtually all the railroads in the country, and the tendency was to tighten control ever more effectively.

The bitter fruits of this intervention came rather swiftly, and they were such as should have been expected from it. Indeed, attempts to fix rates were less than a decade old when intervention led to a full-fledged crisis. World War I precipitated a crisis for which the intervention had prepared the way. Even before the United States declared war, there was widespread awareness that the railroads were in no position to perform all the services that were expected of them. Exports, mainly to the Allies, in 1915 and 1916 greatly increased the amount of freight traffic. By the time the United States entered the war, government and railroad officials were discussing means and organizing for improvement of rail services. This did not work, and as the months passed in 1917, the situation worsened.

Poor performances in coal production and distribution led the list of transportation difficulties, although alarm over adequate shipping for food exports and the grain harvest ran a close second. As autumn passed dangerous lows in coal supplies were reported throughout the nation. . . . Between August 12 and November 24 the drop in coal production due to car shortages totaled 20,166,412 tons.

. . . By December the possibility of completely empty coal bins faced New England factories and homes. Nor was the coal famine the only major national problem; the annual grain harvest was moving to market slowly because of car shortages and blocked rail facilities. . . . Terminal congestion was frightful. Around New York City unloaded freight was actually piled in the space between tracks.¹

The war exposed the condition of the railroads by placing unusual demands on them, but the war was not the source of the incapacities of the railroads. The truth was that the United States did not have an integrated rail system: the railroads did not cooperate well with one another; traffic did not flow by the best routes; many railroads were in a state of disrepair; and the routing of boxcars was largely uncoordinated. Despite the fact that historians have long written of transcontinental railroads, there is not to the present day a single transcontinental railroad.

The source of the crisis was the government measures of the preceding three decades. On the one hand, the government attempted to force the railroads to compete; on the other, it refused to allow them

to compete. The government proscribed certain kinds of cooperation, attacked efforts at coordination, refused to allow rates to rise in crucial circumstances, and produced conditions in which railroads were considered a relatively poor investment. The thrust of government into railroad regulation had produced an ineffective and disintegrated rail system. To see how this was done, let us turn now to an examination of the regulation.

The Interstate Commerce Act

The first Federal act of regulation was the Interstate Commerce Act, and it was also the basic act from which much of the rest has flowed. This complicated statute, passed in 1887, had many provisions with qualifiers attached to them and the whole was cast in the extensive verbiage and redundancies by which a law is made to close as many loopholes as may be desired. Stripped to their essence, these were its provisions. It was to apply to all interstate freight and passenger traffic by rail. All rates for such traffic should be just and reasonable. Any and all rebates were prohibited. The railroads should not give any unreasonable preference or advantage to any shipper over any other, and should make their services available to all comers on equal terms. A railroad should charge no more for a short

¹ K. Austin Kerr, *American Railroad Politics* (Pittsburgh: University of Pittsburgh Press, 1968), pp. 54-55.

haul than a long haul on the same route under substantially similar circumstances, with the proviso that the Interstate Commerce Commission could relieve a railroad from its obligation to conform if circumstances warranted. The pooling (dividing up) of either freight or receipts among competing railroads was prohibited. Rates and fares were to be posted prominently, and not to be changed until public notice had been given. And lastly, it provided for the establishment of an Interstate Commerce Commission to enforce the provisions of the Act.

There were many minor amendments to the Act during the early years, amendments which had the general aim of spelling out and increasing the powers of the Commission. For example: "In 1888 the act was amended to cover classification. . . . In 1889 it was amended to provide for the proper publication of freight and passenger tariffs. . . . In 1889 and 1891 the Interstate Commerce Act has been amended to strengthen the powers of the Commission to compel attendance of witnesses and the production of documents at the hearing of complaints. This provision was further amended in 1895 to protect witnesses from the penal consequences of their own incriminating testimony and to punish recalcitrant witnesses by maximum

penalties of \$5,000 fine and one year's imprisonment."²

Other Restrictive Legislation

The other major acts affecting the railroads before World War I, however, were the Sherman Antitrust Act of 1890, the Elkins Act of 1903, the Hepburn Act of 1906, the Mann-Elkins Act of 1910, the Panama Canal Act of 1912, and the Physical Valuation Act of 1913.

Railroad men generally assumed at the first that the railroads were exempt from the Sherman Act since they already fell under restrictive legislation, but the Supreme Court was soon to rule otherwise. The ostensible purpose of this antitrust legislation was to compel competition. Yet a close examination of it shows that meaningful competition is actually outlawed if the statute were to be literally applied. Section 2 says, in part, that "every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor. . . ." Certainly a major reason for anyone competing in commercial activities is to gain a

² Henry S. Haines, *Restrictive Railway Legislation* (New York: Macmillan, 1905), pp. 223, 261.

larger share of the market. By doing so, he would, in effect, be attempting to monopolize all the trade or commerce in his particular business, though he might not be conscious of so extensive an ambition. Though the statute may not have been applied in just that way, it has been applied to deter growth and expansion and reduce effective competition.

The Elkins Act made it a misdemeanor for railroads to deviate from the published rates, defined unfair discrimination more fully, and provided punishments for officials who might be involved in giving or receiving rebates.

The Hepburn Act was much more extensive; it was comparable to the Interstate Commerce Act as major legislation, and gave the Commission far more power than it formerly had. This Act empowered the Commission to fix maximum rail rates according to the prescription that they should be just and reasonable. The Commission could prescribe uniform systems of accounting for the affected carriers. Moreover, railroads were prohibited from transporting any goods produced by themselves or of companies in which they held an interest except such as would be useful to them in maintaining their roads and related operations.

The Mann-Elkins Act once again extended the jurisdiction and pow-

ers of the Interstate Commerce Commission. The provisions for charging no more for a short than a longer haul were greatly tightened. The new act "absolutely forbade lower charges to longer-distance points except after hearing and approval by the Interstate Commerce Commission."³ The Commission could suspend new rates proposed by the railroads until the court had rendered a decision. The act provided that if a railroad lowered its rates to compete with water traffic, it could not raise them later — after having driven water carriers out of business — until a hearing had been held that would show that some other condition had changed besides the removal of water competitors. A Federal Court of Commerce was set up to hear appeals from the decisions of the Commission, but it was abolished two years later.

The Panama Canal Act "provided that after July 1, 1914, it should be unlawful for any railroad to own, lease, operate, or control or have any interest whatsoever through stockholding or community of management, in any water carrier operating through the Panama Canal. Neither was any such relationship to continue elsewhere than through the Canal in

³ Frank H. Dixon, *Railroads and Government* (New York: Scribner's, 1922), p. 30.

cases where the railroad did or might compete with the water line for traffic."⁴ This was an attempt to make the railroads compete with steamships.

The Physical Valuation Act was supposed to aid the Commission in setting rates or determining if rates were just and reasonable. The underlying idea was that a rate should ideally be such that an efficient carrier would receive a "fair return" on his investment and that this could somehow be calculated if the value of the property could be ascertained. To that end, the Commission was to make exhaustive computations as to the costs to the railroads of all their properties. The Commission was to "report for each piece of property the original cost to date, the cost of reproduction new, the cost of reproduction less depreciation, and 'other values and elements of value, if any.'" The railroads were "required to aid the Commission by furnishing maps, profiles, contracts, and any other pertinent documents and to cooperate in any way desired in the undertaking."⁵ This act is interesting not for any results produced, though the Commission labored many years to try to arrive at the required conclusions, but for what it indicated about the extent to which legisla-

tors were willing to go to regulate the railroads.

It should be clear from the above summary of the legislation prior to World War I that the Federal government was gaining more and more control over the railroads and that, conversely, the railroads were more and more circumscribed in what they could do. In addition, labor unions were being given more and more power, but that story will be told in another connection. Something does need to be said about the tendency of court rulings.

The Commission Gains Power

The chances are good that had the Supreme Court been confronted in the 1890's with an Interstate Commerce Commission clearly clothed with the quasi-legislative-judicial-executive powers which it was later to exercise, it would have declared such a body unconstitutional. At any rate, it is clear from the decisions of the 1890's that the Court considered the Commission to be only an advisory body. Certainly, it did not recognize the Commission as a court; no more could it legislate or execute. But then, neither was such a body in violation of the Constitution. However, the Commission struggled vigorously over the years to have its powers increased, and they were. In the

⁴ *Ibid.*, p. 83.

⁵ *Ibid.*, pp. 70-71.

early years, the Court circumscribed the powers of the Commission by ruling on the basis of legislative intent. The Court thus allowed the issue of the constitutionality of such a body to disappear; meanwhile, the legislature made it ever clearer that they intended the Commission to have more and more power. Thus it was that the Federal courts were by World War I largely adjuncts of the Commission in enforcing their rulings.

Undoubtedly, many of those who sought to regulate the railroads in many ways had the best of intentions. They sought to establish just and reasonable rates, extend the benefits of competition to those not receiving it, provide similar services for all shippers, allow the railroads a "fair return" on their investment, and see to it that the general public were beneficiaries of railway services. Good intentions, however, have no discernible effect on results; these are a product of the actions taken. The acts of the regulators were often contradictory, self-defeating, ignored the nature of rail competition, and harmful both to the railroads and the general public. The results were such as should have been expected from such acts.

Even the intent of the regulators as to competition is not clear.

On the one hand, they apparently wanted to preserve it; on the other, they wanted to prevent it. One writer describes the aim of part of the legislation in this way: "It attempted to continue competition at points not naturally competitive by the prohibition of traffic agreement, and at the same time to protect other points against such competition by making it unlawful for the railroad companies to discriminate in favor of artificially competitive points."⁶ By outlawing rebates, the government attempted to stop that sort of rate competition.

Competition Restrained

Certainly, one of the ways in which businesses compete with one another is in price. If prices cannot vary from the list price, that sort of competition is greatly reduced. Another way railroads might compete with one another was in services. But if services had to be extended to all comers on an equal basis, as the law required, a railroad would be greatly hampered in offering better services to a particular shipper than another line would offer him. When a railroad could not work out a more favorable agreement with a connecting line than others could, it was that much more difficult to offer a better price.

⁶ Haines, *op. cit.*, p. 326.

The long and short haul clause sometimes made it prohibitive for a weak road to haul commodities long distances at rates competitive with alternative routes. To do so it would have to lower its rates for shorter hauls to a point that would make them unremunerative. A port city, for example, served by financially weak railroads could not expect to compete with ports served by stronger roads. This situation was aggravated by the Panama Canal Act which tended to discourage favorable rail and steamship rates for a particular port. In short, all sorts of competition were hampered by regulation.

As rail regulation became ever more restrictive, it tended to freeze the rail system in its existing pattern. There is every reason to suppose that in the absence of hampering and prohibitive legislation these United States would have had by or before World War I a few great railroad systems spanning the continent in its length and breadth and providing not one but several unified systems of transport. These, in turn, would have been linked with steamship lines to the rest of the world. These several systems would have been in position to compete effectively with one another as, for example, great oil companies do today. Certainly the tendency was toward the linking

together and forming of such systems prior to the restrictive legislation.

Financiers in Control

The question is, what froze them into the early pattern? One might suppose that it was antitrust action which prevented or prohibited such unification. Yet antitrust suits did not prevent such expansion and unification before World War I, to my knowledge. Instead, it was the railroad financiers who turned their attention from expanding into new territory and linking together truly transcontinental systems to combining railroads serving the same general area, an effort which has continued to the present day. The most famous early example of this was the formation of the Northern Securities Company. This was a holding company for the controlling stock of the Northern Pacific and Great Northern, two roads serving the same general area. The Supreme Court ordered the holding company dissolved in 1904.

Financiers could and did, however, manage to gain control of railroads serving the same general area by stock purchases. For example, "The traffic of the East and eastern Middle West was dominated by the New York Central and Pennsylvania, allied with the

Morgan interests, which controlled the Chesapeake and Ohio, the Baltimore and Ohio, and the Norfolk and Western. Under Morgan's direction, moreover, the New Haven bought control of the Boston and Maine, the trolley lines of New England, and even the Long Island steamship companies."⁷ The tendency of such controlling combinations — there were several over the country — was to divide the country into noncompetitive railroad empires, reduce competition within an area, and to delay or prevent integration. If the threat of antitrust action did not prevent such combinations, it is reasonable to suppose it would not have prevented combinations aimed at building integrated transcontinental systems.

Long and Short Haul Rules

We must look elsewhere than the antitrust legislation for an explanation of why financiers did not see any great prospect for profit in building great nationwide systems. It is not necessary to look far, because the long and short haul rules provide a sufficient reason, especially when combined with the rules inhibiting competition. An ideal railroad under the long and short haul

clause would be one whose main line connected two or more major shipping centers at considerable distance from one another with only a few intermediate points spaced far apart. In fact, it might be ideal if there were no intermediate stations, for rates could then be set to take full advantage of the economies of operation involved in pulling long trains for very long distances. But a railroad connecting, say, Omaha or Kansas City with Los Angeles or San Francisco might approach the ideal under the long and short haul restriction.

Indeed, there were, and are, several roads well situated to profit from this peculiar regulation. They are such Western roads as the Santa Fe, Southern Pacific, Union Pacific, and Northern Pacific. But there is a counter incentive to linking these roads with those in the East which traverse thickly populated areas with numerous intermediate points. This would only serve to tie what had been profitable long haul rates to short haul rates in such a way as either to incur great losses in the short haul business or to price themselves out of much of the long haul traffic. In practice, any Eastern and Western system so linked would be at the mercy of those Western roads free of such ties.

Since the railroads could not ef-

⁷ Arthur S. Link, *American Epoch* (New York: Alfred A. Knopf, 1955), p. 53.

fectively compete in so many ways, such opportunity for improving their situation as existed would usually be to combine roads covering the same general area so as to maintain some control over rates and get as much of the profitable business as possible within an area. This is what railroad financiers tended to do. The result, as far as the public was concerned, was a nonintegrated rail system, reduced competition, poorer service, and higher rates.

Other Inhibiting Factors

There were other infelicities produced by regulation. Even where they desired to do so, railroad men were hampered in coordinating services and charges with one another. Not only was pooling prohibited but any other sorts of agreements might make them subject to antitrust suits. It is difficult to imagine an agreement which the officials of two or more railroads might enter into that might not be construed as an attempt to monopolize the transport business of an area. Certainly, if they made any agreement it would likely be with the prospect of increasing business, and any such increase would "tend" toward monopoly.

If rate regulation worked as simply as it has sometimes been conceived, it would have the effect

of coddling the inefficient. That is, if by raising rates the income of the railroad could be proportionately increased, and if the Commission wanted to keep every line in operation, the maximum rates would be those which would yield a profit to the most inefficient line. Such rate setting would have the interesting result of pushing all rates upward insofar as uniform rates prevailed. The Commission has not, of course, behaved in so simplistic a fashion. Even if it did, the demand for rail service is not inelastic. In consequence, rates can be increased without necessarily increasing revenues. The Commission tried to steer a course between raising rates so high that they would reduce traffic appreciably and keeping them so low that many railroads would be ruined. The results were a mixed bag also in the years before World War I: rates did generally rise; some rates were kept too low; many roads were caught in the squeeze of declining revenues.

Statistics indicate that railroad earnings declined after the Interstate Commerce Commission became involved in setting rates. The "aggregate amount paid in dividends fell off \$100,000,000 from the high year of this period (1911), and the average rate on dividend-paying stock which was 8.07 per cent in 1908 was 6.75 per cent in

1916. Whatever may be one's personal view as to whether this was or was not a satisfactory financial showing for our railroad system, the fact remained that it did not satisfy the investor. Consequently, the sound policy long practiced by railroad management of keeping ahead of traffic by providing the necessary facilities for handling it was gradually weakened, and at the time the country entered the war the railroad system was far short of that standard of efficiency which the demands of traffic required."⁸ One of the signs that the railroads were not spending nearly enough on new equipment was the increase of accidents. Accidents due to derailments increased from 6,697 in 1911 to 22,477 in 1920.⁹ In short, government policies reduced earnings, discouraged investment, and set

the stage for the railroads to live off past capital investment to the detriment of efficient maintenance.

When World War I came, the railroads were ill prepared to provide the services wanted. This was, in large measure, due to government policies which had frozen the railroads in an earlier pattern, made it difficult for owners and managers to run them effectively, discouraged investment, supported inefficiency, deterred cooperation and coordination, and inhibited the development of nationwide systems. The Federal government took over the operation of the railroads on December 26, 1917, and continued to run them until 1920. Having prevented an integrated system from developing and thus having set the stage for a crisis, the government took over and did much that it had prevented the railroads from doing. 

⁸ Dixon, *op. cit.*, pp. 23-24.

⁹ *Ibid.*, p. 78.

Next: Railroads in the Grip of Government.

NO TIME FOR PESSIMISM

ROBERT BEARCE

EACH AGE has its cynical cult — its pessimistic prophets of doom. Ours is scarcely the exception. The prevailing mood today, leastwise in supposedly “intellectual” circles, was recently summed up by one of our prominent news commentators. Asked why he reported only the ugly side of the national and international scenes, he replied with moody overcast that if there were any encouraging news to broadcast, he’d surely give it a fair propagation — leaving us to conclude that no tangible bright spots of cheer exist to be reported.

Again, pessimism is an ancient attitude — one that coupled with skepticism and cynicism has done its share to thwart individual freedom and human progress. Those of us who have undertaken the task of knowing more of freedom, preserving and enlarging upon it,

are particularly susceptible to the slough of pessimism.

When we think of freedom, one of the basic concepts that comes to mind is the worth and dignity of the individual and his eternal struggle against encroachments from the state. And how today’s trend toward state intervention and the gradual subjugation of the individual are causes for discouragement! Inflation, politicians obsessed with government spending as the “cure-all” to the Promised Land, judicial decisions — these represent some of the potential bugs of despair in all red-blooded freemen.

A recent powwow of mayors went on record as expressing a desire for greater Federal responsibility in their cities. That is just cause for pessimism! Mayors, of all individuals, ought to stand firm for individual responsibility against state authority. Independ-

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ence, individual initiative, limited government, and *local responsibility* were all the cornerstones upon which the Founding Fathers built a free society of free men working freely. Yet, here are our mayors expressing, somewhat indignantly, their feelings that the Federal authorities haven't devoted enough time and money to the needs of the cities.

To further examine this issue, let us say that various school districts, private and state health agencies, and local welfare programs are subsidized and financed with Federal funds. This aid invariably leads to dependence, i.e., a deterioration of personal and local responsibility. Now, let us assume that a bill is passed by Congress appropriating funds to continue assistance to these education and welfare programs. It passes overwhelmingly, but trouble lies ahead because the President threatens to veto — a veto he will use declaring that the Federal government simply does not have the funds. To spend money that will not be raised by taxes would be inflationary.

Here is the curse of Federal aid. Lobbyists for the beneficiaries of the health, education, and welfare monies flock to Washington demanding passage of the bill by the President. "Why, Mr. President, we *need* that money! People

will starve! Men will die of disease! Children will not learn their 3 R's!" Thus, in many instances, elected officials are coerced into passing legislation that is detrimental to the free economy solely due to the authoritarian tactics of individuals who have lacked individual responsibility for so long that they become lost without Federal assistance.

So much for inflation and selfish groups; they are cause for concern, but *not* pessimism. We can easily share the news commentator's blues. We can isolate all the instances where individual freedom is succumbing to the Big Brother philosophy, and then we can generalize on the gloomy findings. The result will be quite a dreary outlook on the current state of freedom. But dreary freemen and libertarians are not likable people. What is worse, the dreary freeman is but a step away from cynicism, skepticism, and pessimism — the three curses hampering the cause of freedom.

What we need is not an obsessive eye for the evil in society but a penetrating eye for the instances where *free* men working *freely* in a *free* society have succeeded. These examples should be our hope. They ought to cause a renewal of faith in freedom and a renewal of will to make freedom a profound blessing in men's lives.

Allow me to illustrate. At about the same time of the news commentator's gloom, I watched a debate on the local educational TV. The topic: "Should the United States continue to reduce its non-military foreign aid program and expenditures?" One of the witnesses who argued the affirmative was a prominent gentleman from Guatemala — Señor Manuel Ayau.¹ He was being cross-examined:

"Do you honestly believe, Mr. Ayau, that Guatemala doesn't need American aid?"

"Yes, I do. It doesn't need American aid or anyone else's."

"You really insist that Guatemala doesn't desperately need American technology and equipment?"

"That is correct."

"Hasn't American aid helped Guatemala?"

"It has not. American aid has hurt us." Then he added, "Guatemala, sir, if left alone can develop on her own without American aid. We do not need your benevolence. A country can make its progress on its own, if it has the will. I know of no better example than that of your own country — the United States of America."

Bravo! Sr. Ayau realized the eternal truth that when men are

free to work out their own problems, depending upon their own self-discipline, individual initiative, and personal responsibility, they can achieve abundance. Freedom, unleashing human energy through perseverance, will, and sweat — not subsidies, humanitarianism, and energy-sapping authoritarianism — is the glory of man.

So, three cheers for Ayau and his perceptive defense of the free market and individual initiative.

Accent on the Positive

Many of us waste our time cursing the setbacks to freedom and not enough time cleaning our own houses. Our energies are spent unrewardingly as we decry the lack of appreciation for freedom on the part of our fellow man. We might very well see greater advances in the cause of freedom and truth if we would channel some of our righteous condemnation into praising the bright spots in the struggle for freedom. Then too, we can take the advice of Thomas Jefferson: "The ground of liberty is to be gained by inches; we must be contented to secure what we can get, from time to time, and eternally press forward for what is yet to get."

Elbert Hubbard once remarked, "If I can give a man a thought, I've helped him. But if I can make

¹ See "The Problem," by Dean Russell — May 1970 FREEMAN — who along with Ayau presented the argument against aid.

him think, then I've indeed done him a service." This idea of making men think for themselves is the task of the freeman. It might be all bliss if men could live just as they pleased, doing and saying precisely what fitted their ego or mentality. Such is not the case, though. Our own security, freedom, and peace are dependent to a certain extent upon the attitudes of the society in which we live — a society which either rejects or accepts authoritarian philosophies.

We can give our fellow man "thoughts" about the blessings derived of free men working freely in a free society, but what is better, we can enable him to "think" for himself. This is the "thinking" which generates a more profound appreciation for freedom. Such positive action on our part is quite indirectly achieved. Rather than attempting to drill the truths of freedom into the "unlightened," we put our faith into vibrant example — the example that will encourage others to search out the truth for themselves.

The self-righteous attitude that seeks the role of saviour of mankind with omnipotent knowledge is not the way of those who adhere to the freedom faith. As in ages past, mankind has its self-appointed crusaders who are enraptured with visions of a perfect,

blissful end. But he who would be the instrument for espousing the blessings of freedom must be humble; he must be willing to work individually and faithfully on a day-by-day basis, neither expecting nor seeking utopia for his fellow man.

It is quite all right to point out the defeats that freedom is experiencing, but this is somewhat a negative approach. We certainly should not be like the oft-mentioned ostrich; we must face reality and acknowledge our place in it as fallible beings. But the setbacks to freedom should not blind us. Rather, our energies must be dedicated to accenting the blessings derived of freemen thinking, working, and ordering their lives as they please.

Pessimism, cynicism, skepticism — these curses have no place in the program and attitudes of the freeman who seeks greater insight into the freedom faith. To love freedom is an optimistic faith — the faith that recognizes the harsh realities of life but also recognizes the terrific force of freedom in men's lives. Again, if we would serve the cause of freedom, we must understand Hubbard's observation: "If I can give a man a thought, I've helped him. But if I can make him think, then I've indeed done him a service." ☉

AGAINST THE TIDE

ON A RECENT journalistic junket to West Germany the group with which I was traveling had a mass interview with Ludwig Erhard, the former Chancellor who, as Dr. Adenauer's Minister of Economics in the first post-World War II government of his country, was responsible for the "German economic miracle." The talk turned to the young who, in West Germany as elsewhere, have been confusing freedom with anarchy. I had one particular question I wanted to ask Dr. Erhard: "Do the young, in the German universities, study any of your old masters in economics such as Wilhelm Röpke?"

The answer, which came with a sort of weary benignity, was that the young economics students didn't seem to be interested in the principles of the "free social market." They were interested in reducing economics to mathematics. Personalities such as Mises, Menger, and Röpke were not in the fashion. If it had been that way when he was a student, said Dr.

Erhard, he would never have become an economist. He would not have been able to pass examinations.

This business of reducing economics to mathematics is part of the disease of the Western world. The modern economist tends to think in terms of "input" and "output" and "aggregates." The question of who directs and disposes the "input," and how title to the "output" is acquired or allocated, is dismissed as irrelevant to the problem of seeing that "aggregate" purchasing power, or "aggregate" investment, is kept at a "full-employment" level. The whole business of human incentives, the question of the human will, tends to disappear from the subject of economics; the individual is lost in the sea of statistics.

Paradoxically, this can have a tremendous effect on the integers that go to make up the statistical totals, for the mathematical economist, by making the human terms of "input" irrelevant, may be

striking most deleterious blows at individual creativity. It can matter much to the inventor in his shop, or the chemist in his laboratory, that he be allowed to seek support from individuals rather than faceless bureaucrats. The beguiling break-through that ultimately develops into a new "ladder industry," capable of lifting a nation out of depression, is never a "statistic" at its birth; the quantifying economist only catches up with it after a lot of qualitative things have happened.

A Prominent Role

This is what Dr. Erhard was trying to tell the visiting U.S. journalists through the fog of translation. It so happened that I had been reading Wilhelm Röpke's *Against the Tide* (Regnery, \$7.50, translated by Elizabeth Henderson) before coming to Germany. My question to Dr. Erhard had been prompted by a passage in Gottfried Dietze's foreword to the Röpke essays. "Röpke," says Dietze, "... warned against the advocacy of a planned economy and expressed the fear that planning and collectivism would prevent the economic recovery that he felt was inevitable under a free economy. The correctness of his opinion was first demonstrated in Germany. His friend Ludwig Erhard . . . has told how during the

war he illegally got hold of Röpke's books, the contents of which he 'devoured like the desert the life-giving water.' Erhard repeatedly emphasized his debt to Röpke when, against the opposition of the military government, he introduced the market economy in West Germany . . . the enormous success of the 'socially responsible market economy' . . . deprived Western socialist programs of their appeal. . . . After the success of that economic system had been demonstrated in Germany, Röpke's friend and colleague Luigi Einaudi, the first President of post-war Italy, imitated the German economic policy in his country. . . . Other nations . . . followed suit. A continent that after World War II lay dying recovered in freedom."

Röpke, then, played a part in twentieth century history that was of the first magnitude, comparable to the role of a Lenin after World War I, though with a different end in view. An individual who talked in terms of qualitative decisions, he had an effect on "input" and the "aggregates" of investment and consumption in West Germany, Italy, and elsewhere that surprised and flabbergasted the Keynesians and the neo-Marxists. He gave socialism its first big setback and thereby may have changed the course of history.

"Intellectuals and Capitalism"

Against the Tide represents many facets of Röpke's intellectual armory. Some of the essays are dated; the long discussion of "the transfer problem in international capital movements," which opens the book, becomes burdensomely technical, and despite the fact that it was written in pre-Hitlerian 1930, it could hardly have been an example of the Röpke that stimulated Dr. Erhard to face down the American Keynesians who tried to keep the free market from re-emerging in post-Hitler 1948 in the shattered Rhineland.

But the second essay, "The Intellectuals and Capitalism," dated 1931, is Röpke at his best. Röpke was combatting the German version of Rexford Tugwell's idea that capitalism must die when the economy becomes "mature." In pre-Nazi Germany economics had become crossed with geopolitics to produce a theory that national salvation resided in a certain "space" in the Danube countries and the Ukraine. If this space could not be seized, Germany would die for lack of markets and sources of raw material. The members of the *Tat* circle spoke of expanding in space to create a "want-satisfaction economy," an "organic economic community," which would help "the mass of the unpropertied peo-

ple growing into the State." Röpke punctured this whole tissue of catch-phrases by observing that small countries such as Denmark, Holland, and Switzerland managed to do very well without "space," or "space-building."

In another essay, "The Secular Significance of the World Crisis," written in 1933 when an "end-of-the-world" mood prevailed in both Europe and America, Röpke doubted that there were structural, as contrasted with cyclical, reasons for the depression. The hypothesis that capitalism had failed because of a shortage of gold "was faulted from the outset by its failure to explain why, nevertheless, the volume of money and credit was able to expand so much immediately before the outbreak of the crisis." (As William Graham Sumner had said long before Röpke, the amount of money in a country is sufficient to do the work of the country.)

As for the theory that declining populations meant a declining capitalism, Röpke remarked that this was to "confuse people with Reichsmarks and dollars." Obviously, purchasing power depends on the money in people's pockets, and a small, rich population makes a better soil for capitalism than a huge, poverty-stricken mass such as one finds in India or China. Röpke admitted that some needs

are inelastic. The number of Christmas trees that can be sold is determined by the number of families who celebrate Christmas. "On the other hand," so Röpke said, "the value and amount of presents lying under the Christmas tree vary from one family to another in accordance with the bread-winner's income. . . . Even if the production increased a hundred times, it would still fail to raise the incomes of the masses to a level that is regarded as necessary to the high-income brackets today."

Faulty Understanding of the Economics of Freedom

If lack of geographical space, or lack of precious metals, or a fall-off in population, couldn't explain the depression, what did? Röpke decided that the world's troubles in 1933 were due to a faulty understanding of the economics of freedom. He held to this opinion during his long period of exile from Germany in Turkey and Switzerland. And, when the opportunity presented, he managed to convince Dr. Erhard that he was right and the Tugwellians and the Keynesians were wrong. Not even World War II had resulted in the "end of an era."

The later essays in *Against the Tide* attack the problem of inflation, which seems inseparable from

the growth of the welfare state. Röpke is not against a basic humanitarianism; he doesn't want to see helpless people starving. But he sees little sense in "robbing Peter to pay Paul" when Paul is just as capable of supporting himself as Peter. "We are in the predicament of the sorcerer's apprentice," he wrote a few years before he died; "almost anywhere we turn our horrified eyes, we see that the welfare state has a built-in, irresistible tendency to further growth." The welfare state, he said, operates without a brake or a reverse gear.

Unfortunately, welfarist ideas are still careening down the highway with as much dangerous momentum as was the case when Röpke was still alive. The more reason, then, to repeat the experience of Dr. Ludwig Erhard when he devoured Röpke "like the desert the life-giving water."

► **THE UNHEAVENLY CITY** by Edward C. Banfield (Boston: Little, Brown and Company, 1970) 308 pp. \$6.95.

Reviewed by Robert M. Thornton

THIS BOOK, by Harvard's professor of urban government, is a celebration of city living which, the author contends, is better today than ever before. Is there urban conges-

tion? Well, up to a point, that's what makes a city, Banfield observes: a heavy concentration of business, industry, and workers' homes. Is there poverty and crime in the city? Of course, but the inherent tendency in cities is the steady transformation of poverty into prosperity — automation and technological change being, in the long run, part of this movement. And crime, despite popular opinion to the contrary, is not an inevitable consequence of low income and a slum environment. Cities have never been "heavenly," of course; but until political reformers, master planners, and utopians began tinkering with city life by unwise legislation and infusions of tax money, cities provided a good life for countless millions of people. And cities might continue in their civilizing role if we don't kill or cripple them by our mistaken policies.

Parts of this book remind one of Clarence Carson's *The War on the Poor*. Banfield, like Carson, argues that government interventions in the economy designed to increase prosperity or to in some way help the poor, are not only wrong in principle but also fail to accomplish their advertised purpose. Government intervention in the cities has aggravated existing problems and created new ones.

For example: Public transit and taxi franchises restrict competi-

tion, and the public is poorly served; occupational licenses hamper and discourage the small businessman; the Federal expressway system and the loan policies of the Veterans Administration and the Federal Housing Administration encourage and assist people to move out of the cities sooner and in greater numbers than would otherwise be the case; the dole, on the other hand, encourages the lazy and shiftless to move to the cities; farm subsidies tend to force small operators off the land and into the cities. These and other legislative interferences are mainly responsible for the plight of our cities.

Banfield speaks out strongly against minimum wage laws which create unemployment for those whose labor is not considered worth the price set by the government. He strikes out forcefully against child labor laws and laws making young people stay in school when they lack interest or ability. He criticizes labor union monopolies whose practices have similar results: preventing young people, who have had all the schooling they want or can take, from going to work. A sixteen-year-old earning his living is less likely to be breaking laws or creating disturbances than one forced to sit in a classroom all day, bored silly.

Like Martin Anderson and Jane Jacobs, Banfield comes out em-

phatically against the Federal "urban renewal" program which destroys more housing than it constructs, hurting mostly the poor. He questions the use of the word "ghetto" to describe an area simply because of a heavy concentration of a particular race or social class; a ghetto, says Banfield, means an area in which people are legally confined. He cites instances where Negroes have had a chance to get out of the city into a pleasant suburban community but refuse because they prefer to be with their own people; he has wise words on the so-called color problem.

Banfield sees society as consisting of two broad classes: the present-oriented and the future-oriented. The former live for the moment and have no long-range goals. Schooling, saving, and such do not interest them. The latter, on the other hand, look ahead and postpone present pleasures for fu-

ture satisfaction. In a tough-minded analysis, the problem of poverty is not so much something external to the individual person as an internal condition. Some persons, Banfield reminds us, simply do not care much about being responsible, independent citizens; they do not attach much importance to privacy or education or a steady job or an attractive home, and no amount of government interference is going to change them; in fact, handouts will only encourage them in their ways.

There are, of course, many professed "solutions" for some of these city problems, but they all smack of dictatorship—the totalitarian state. Better to settle for the "unheavenly city," concludes Banfield. What is to be done? Just what writers in *THE FREEMAN* have preached for years: more freedom, which, Banfield says, "may well be the best course of action in the long run."



the Freeman

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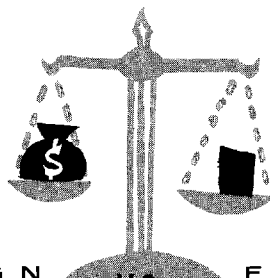
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HENRY HAZLITT



FOREIGN INVESTMENT VS. FOREIGN AID

At the beginning of Chapter III of his *History of England*, Thomas Babington Macaulay wrote:

"In every experimental science there is a tendency toward perfection. In every human being there is a wish to ameliorate his own condition. These two principles have often sufficed, even when counteracted by great public calamities and by bad institutions, to carry civilization rapidly forward. No ordinary misfortune, no ordinary misgovernment, will do so much to make a nation wretched as the constant effort of every man to better himself will do to make a nation prosperous. It has often been found that profuse expenditures, heavy taxation, absurd commercial restrictions, corrupt tribunals, disastrous wars, sedi-

tions, persecutions, conflagrations, inundations, have not been able to destroy capital so fast as the exertions of private citizens have been able to create it. It can easily be proved that, in our own land, the national wealth has, during at least six centuries, been almost uninterruptedly increasing. . . . This progress, having continued during many ages, became at length, about the middle of the eighteenth century, portentously rapid, and has proceeded, during the nineteenth, with accelerated velocity."

We too often forget this basic truth. Would-be humanitarians speak constantly today of "the vicious circle of poverty." Poverty, they tell us, produces malnutrition and disease, which produce apathy and idleness, which perpetuate poverty; and no progress is possible without help from outside. This theory is today propounded unceasingly, as if it were

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

axiomatic. Yet the history of nations and individuals shows it to be false.

It is not only "the natural effort which every man is continually making to better his own condition" (as Adam Smith put it even before Macaulay) that we need to consider, but the constant effort of most families to give their children a "better start" than they enjoyed themselves. The poorest people under the most primitive conditions work first of all for food, then for clothing and shelter. Once they have provided a rudimentary shelter, more of their energies are released for increasing the quantity or improving the quality of their food and clothing and shelter. And for providing tools. Once they have acquired a few tools, part of their time and energies can be released for making more and better tools. And so, as Macaulay emphasized, economic progress can become accelerative.

One reason it took so many centuries before this acceleration actually began, is that as men increased their production of the means of subsistence, more of their children survived. This meant that their increased production was in fact mainly used to support an increasing population. Aggregate production, population, and consumption all increased;

but per capita production and consumption barely increased at all. Not until the Industrial Revolution began in the late eighteenth century did the rate of production begin to increase by so much that, in spite of leading to an unprecedented increase in population, it led also to an increase in per capita production. In the Western world this increase has continued ever since.

So a country can, in fact, starting from the most primitive conditions, lift itself from poverty to abundance. If this were not so, the world could never have arrived at its present state of wealth. Every country started poor. As a matter of historic fact, most nations raised themselves from "hopeless" poverty to at least a less wretched poverty purely by their own efforts.

Specialization and Trade

One of the ways by which each nation or region did this was by division of labor within its own territory and by the mutual exchange of services and products. Each man enormously increased his output by eventually specializing in a single activity — by becoming a farmer, butcher, baker, mason, bricklayer, or tailor — and exchanging his product with his neighbors. In time this process extended beyond national bound-

aries, enabling each nation to specialize more than before in the products or services that it was able to supply more plentifully or cheaply than others, and by exchange and trade to supply itself with goods and services from others more plentifully or cheaply than it could supply them for itself.

But this was only one way in which foreign trade accelerated the mutual enrichment of nations. In addition to being able to supply itself with more goods and cheaper goods as a result of foreign trade, each nation supplied itself with goods and services that it could otherwise not produce at all, and of which it would perhaps not even have known the existence.

Thus foreign trade *educates* each nation that participates in it, and not only through such obvious means as the exchange of books and periodicals. This educational effect is particularly important when hitherto backward countries open their doors to industrially advanced countries. One of the most dramatic examples of this occurred in 1854, when Commodore Perry at the head of a U. S. naval force "persuaded" the Japanese, after 250 years of isolation, to open their doors to trade and communication with the U.S. and the rest of the world. Part of Perry's success, significantly, was

the result of bringing and showing the Japanese such things as a modern telescope, a model telegraph, and a model railway, which delighted and amazed them.

Some Steps May Be Skipped

Western reformers today, praising some hitherto backward country, in Africa or Asia, will explain how much smarter its natives are than we of the West because they have "leaped in a single decade from the seventeenth into the twentieth century." But the leap, while praiseworthy, is not so surprising when one recalls that what the natives mainly did was to import the machines, instruments, technology, and know-how that had been developed during those three centuries by the scientists and technicians of the West. The backward countries were able to bypass home coal furnaces, gaslight, the street car, and even, in most cases, the railroad, and to import Western automobiles, Western knowledge of road-building, Western airplanes and airliners, telephones, central oil heaters, electric light, radio and television, refrigerators and air-conditioning, electric heaters, stoves, dishwashers and clothes washers, machine tools, factories, plants, and Western technicians, and then to send some of their youth to Western colleges and uni-

versities to become technicians, engineers, and scientists. The backward countries imported, in brief, their "great leap forward."

In fact, not merely the recently backward countries of Asia and Africa, but every great industrialized Western nation, not excluding the United States, owes a very great part — indeed, the major part — of its present technological knowledge and productivity to discoveries, inventions, and improvements imported from other nations. Notwithstanding the elegant elucidations by the classical economists, very few of us today appreciate all that the world and each nation owes to foreign trade, not only in services and products, but even more in knowledge, ideas, and ideals.

International Investment

Historically, international trade gradually led to international investment. Among independent nations, international investment developed inevitably when the exporters of one nation, in order to increase their sales, sold on short-term credit, and later on longer-term credit, to the importers of another. It developed also because capital was scarcer in the less developed nation, and interest rates were higher. It developed on a larger scale when men emigrated from one country to another, start-

ing businesses in the new country, taking their capital as well as their skills with them.

In fact, what is now known as "portfolio" investment — the purchase by the nationals of one country of the stocks or bonds of the companies of another — has usually been less important quantitatively than this "direct" investment. In 1967 U. S. private investments abroad were estimated to total \$93 billion, of which \$12 billion were short-term assets and claims, and \$81 billion long-term. Of American long-term private investments abroad, \$22 billion were portfolio investments and \$59 billion direct investments.

The export of private capital for private investment has on the whole been extremely profitable for the capital-exporting countries. In every one of the twenty years from 1945 to 1964 inclusive, for example, the income from old direct foreign investments by U. S. companies exceeded the outflow of new direct investments. In that twenty-year period new outflows of direct investments totaled \$22.8 billion, but income from old direct investments came to \$37.1 billion, plus \$4.6 billion from royalties and fees, leaving an excess inflow of \$18.9 billion. In fact, with the exception of 1928, 1929, and 1931, U. S. income from direct foreign investments exceeded new capital

outlays in every year since 1919.¹

Our direct foreign investments also greatly stimulated our merchandise exports. The U.S. Department of Commerce found that in 1964, for example, \$6.3 billion, or 25 per cent of our total exports in that year, went to affiliates of American companies overseas.

It is one of the ironies of our time, however, that the U.S. government decided to put the entire blame for the recent "balance-of-payments deficit" on American investments abroad; and beginning in mid-1963, started to penalize and restrict such investment.

The advantages of international investment to the capital importing country should be even more obvious. In any backward country there are almost unlimited potential ventures, or "investment opportunities," that are not undertaken chiefly because the capital to start them does not exist. It is the domestic lack of capital that makes it so difficult for the "underdeveloped" country to climb out of its wretched condition. Outside capital can enormously accelerate its rate of improvement.

Investment from abroad, like domestic investment, can be of two kinds: the first is in the form of

fixed interest-bearing loans, the second in the form of direct equity investment in which the foreign investor takes both the risks and the profits. The politicians of the capital-importing country usually prefer the first. They see their nationals, say, making 15 or 30 per cent annual gross profit on a venture, paying off the foreign lender at a rate of only 6 per cent, and keeping the difference as net profit. If the foreign investor makes a similar assessment of the situation, however, he naturally prefers to make the direct equity investment himself.

But the foreigner's preference in this regard does not necessarily mean that the capital-importing country is injured. It is to its own advantage if its government puts no vexatious restrictions on the form or conditions of the private foreign investment. For if the foreign investor imports, in addition to his capital, his own (usually) superior management, experience, and technical know-how, his enterprise may be more likely to succeed. He cannot help but give employment to labor in the capital-importing country, even if he is allowed to bring in labor freely from his own. Self-interest and wage-rate differentials will probably soon lead him to displace most of whatever common or even skilled labor he originally brings

¹ See *The United States Balance of Payments* (Washington: International Economic Policy Association, 1966), pp. 21 and 22.

in from his own country with the labor of the host country. He will usually supply the capital-importing country itself with some article or amenity it did not have before. He will raise the average marginal productivity of labor in the country in which he has built his plant or made his investment, and his enterprise will tend to raise wages there. And if his investment proves particularly profitable, he will probably keep reinvesting most of his profits in it as long as the market seems to justify the reinvestment.

There is still another benefit to the capital-importing country from private foreign investment. The foreign investors will naturally seek out first the most profitable investment opportunities. If they choose wisely, these will also be the investments that produce the greatest surplus of market value over costs and are therefore economically most productive. When the originally most productive investment opportunities have been exploited to a point where the comparative rate of return begins to diminish, the foreign investors will look for the next most productive investment opportunities, originally passed over. And so on. Private foreign investment will therefore tend to promote the most rapid rate of economic improvements.

Foreigners Are Suspect

It is unfortunate, however, that just as the government of the private-capital-exporting country today tends to regard its capital exports with alarm as a threat to its "balance of payments," the government of the private-capital-importing country today tends to regard its capital imports at least with suspicion if not with even greater alarm. Doesn't the private-capital-exporting country make a profit on this capital? And if so, mustn't this profit necessarily be at the expense of the capital-importing country? Mustn't the latter country somehow be giving away its patrimony? It seems impossible for the anticapitalist mentality (which prevails among the politicians of the world, particularly in the underdeveloped countries) to recognize that both sides normally benefit from any voluntary economic transaction, whether a purchase-sale or a loan-investment, domestic or international.

Chief among the many fears of the politicians of the capital-importing country is that foreign investors "take the money out of the country." To the extent that this is true, it is true also of domestic investment. If a home owner in Philadelphia gets a mortgage from an investor in New York, he may point out that his interest and amortization pay-

ments are going out of Philadelphia and even out of Pennsylvania. But he can do this with a straight face only by forgetting that he originally borrowed the money from the New York lender either because he could not raise it at all in his home city or because he got better terms than he could get in his home city. If the New Yorker makes an equity investment in Pennsylvania, he may take out all the net profits; but he probably employs Pennsylvania labor to build his factory and operate it. And he probably pays out \$85 to \$90 annually for labor, supplies, rent, etc., mainly in Pennsylvania, for every \$10 he takes back to New York. (In 1969, American manufacturing corporations showed a net profit after taxes of only 5.4 per cent on total value of sales.) "They take the money out of the country" is an objection against foreign investors resulting even more from xenophobia than from anticapitalism.

Fear of Foreign Control

Another objection to foreign investment by politicians of the capital-importing country is that the foreign investors may "dominate" the borrowing country's economy. The implication (made in 1965 by the de Gaulle government of France, for example) is that American-owned companies

might come to have too much to say about the economic decisions of the government of the countries in which they are located. The real danger, however, 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, drilled wells and refineries, developed mines, and even bank deposits, may be trapped. In the last twenty-five years, particularly in Latin America and the Middle East, as American oil companies and others have found to their sorrow, the dangers of discriminatory labor legislation, onerous taxation, harassment, or even expropriation, are very real.

Yet the anticapitalistic, xenophobic, and other prejudices against private foreign investment have been so widespread, in both the countries that would gain from importing capital and the countries that would profit from exporting it, that the governments in both sets of countries have imposed taxes, laws and regulations, red tape, and other obstacles to discourage it.

At the same time, paradoxically, there has grown up in the last quarter-century powerful political pressures in both sets of countries in favor of the richer countries *giving capital away* to the poorer

in the form of government-to-government "aid."

The Marshall Plan

This present curious giveaway mania (it can only be called that on the part of the countries making the grants) got started as the result of an historical accident. During World War II, the United States had been pouring supplies — munitions, industrial equipment, foodstuffs — into the countries of its allies and cobelligerents. These were all nominally "loans." American Lend-Lease to Great Britain, for example, came to some \$30 billion and to Soviet Russia to \$11 billion.

But when the war ended, Americans were informed not only that the Lend-Lease recipients could not repay and had no intention of repaying, but that the countries receiving these loans in wartime had become dependent upon them and were still in desperate straits, and that further credits were necessary to stave off disaster.

This was the origin of the Marshall Plan.

On June 5, 1947, General George C. Marshall, then American Secretary of State, made at Harvard the world's most expensive commencement address, in which he said:

"The truth of the matter is that Europe's requirements, for the

next three or four years, of foreign food and other essential products — principally from America — are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social, and political deterioration of a very grave character."

Whereupon Congress authorized the spending in the following three-and-a-half years of some \$12 billion in aid.

This aid was widely credited with restoring economic health to "free" Europe and halting the march of communism in the recipient countries. It is true that Europe did finally recover from the ravages of World War II — as it had recovered from the ravages of World War I. And it is true that, apart from Yugoslavia, the countries not occupied by Soviet Russia did not go communist. But whether the Marshall Plan accelerated or retarded this recovery, or substantially affected the extent of communist penetration in Europe, can never be proved. What can be said is that the plight of Europe in 1947 was at least as much the result of misguided European governmental economic policies as of physical devastation caused by the war. Europe's recovery was far slower than it could have been, with or without the Marshall Plan.

This was dramatically demonstrated in West Germany in 1948, when the actions between June 20 and July 8 of Economic Minister Ludwig Erhard in simultaneously halting inflation, introducing a thoroughgoing currency reform, and removing the strangling network of price controls, brought the German "miracle" of recovery.

As Dr. Erhard himself described his action: "We decided upon and re-introduced the old rules of a free economy, the rules of *laissez-faire*. We abolished practically all controls over allocation, prices, and wages, and replaced them with a price mechanism controlled predominantly by money."

The result was that German industrial production in the second half of 1948 rose from 45 per cent to nearly 75 per cent of the 1936 level, while steel production doubled that year.

It is sometimes claimed that it was Germany's share of Marshall aid that brought on the recovery. But nothing similar occurred in Great Britain, for example, which received more than twice as much Marshall aid. The German per capita gross national product, measured in constant prices, increased 64 per cent between 1950 and 1958, whereas the per capita increase in Great Britain, similarly measured, rose only 15 per cent.

Once American politicians got

the idea that the American taxpayer owed other countries a living, it followed logically that his duty could not be limited to just a few. Surely that duty was to see that poverty was abolished everywhere in the world. And so in his inaugural address of January 20, 1949, President Truman called for "a bold new program" to make "the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.... This program can greatly increase the industrial activity in other nations and can raise substantially their standards of living."

Because it was so labeled in the Truman address, this program became known as "Point Four." Under it the "emergency" foreign aid of the Marshall Plan, which was originally to run for three of four years at most, was universalized, and has now been running for more than twenty years. So far as its advocates and built-in bureaucracy are concerned, it is to last until foreign poverty has been abolished from the face of the earth, or until the per capita "gap" between incomes in the backward countries and the advanced countries has been closed — even if that takes forever.

The cost of the program already is appalling. Total disbursements to foreign nations, in the fiscal

years 1946 through 1970, came to \$131 billion. The total net interest paid on what the U. S. borrowed to give away these funds amounted in the same period to \$68 billion, bringing the grand total through the 25-year period to \$199 billion.²

This money went altogether to some 130 nations. Even in the fiscal year 1970, the aid program was still operating in 99 nations and five territories of the world, with 51,000 persons on the payroll, including U. S. and foreign personnel. Congressman Otto E. Passman, chairman of the Foreign Operations Subcommittee on Appropriations, declared on July 1, 1969: "Of the three-and-a-half billion people of the world, all but 36 million have received aid from the U. S."

Domestic Repercussions

Even the colossal totals just cited do not measure the total loss that the foreign giveaway program has imposed on the American economy. Foreign aid has had the most serious economic side-effects. It has led to grave distortions in our economy. It has undermined our currency, and contributed toward driving us off the gold standard. It has accelerated our inflation. It was suf-

ficient in itself to account for the total of our Federal deficits in the 1946-70 period. The \$199 billion foreign aid total exceeds by \$116 billion even the \$83 billion increase in our gross national debt during the same years. Foreign aid has also been sufficient in itself to account for all our balance-of-payments deficits (which our government's policies blame on private foreign investment).

The advocates of foreign aid may choose to argue that though our chronic Federal budget deficits in the last 25 years *could* be imputed to foreign aid, we could alternatively impute those deficits to other expenditures, and assume that the foreign aid was paid for entirely by raising additional taxes. But such an assumption would hardly improve the case for foreign aid. It would mean that taxes during this quarter-century averaged at least \$5 billion higher each year than they would have otherwise. It would be difficult to exaggerate the setbacks to personal working incentives, to new ventures, to profits, to capital investment, to employment, to wages, to living standards, that an annual burden of \$5 billion in additional taxation can cause.

If, finally, we make the "neutral" assumption that our \$131 or \$199 billion in foreign aid (whichever way we choose to calculate the

² Source: Foreign Operations Subcommittee on Appropriations, House of Representatives, July 1, 1970.

sum) was financed in exact proportion to our actual deficit and tax totals in the 25-year period, we merely make it responsible for part of both sets of evils.

In sum, the foreign aid program has immensely set back our own potential capital development. It ought to be obvious that a foreign giveaway program can raise the standards of living of the so-called "underdeveloped areas" of the world only by lowering our own living standards compared with what they could otherwise be. If our taxpayers are forced to contribute millions of dollars for hydroelectric plants in Africa or Asia, they obviously have that much less for productive investment in the U.S. If they contribute \$10 million dollars for a housing project in Uruguay, they have just that much less for their own housing, or any other cost equivalent, at home. Even our own socialist and statist do-gooders would be shaken if it occurred to them to consider how much might have been done with that \$131 or \$199 billion of foreign aid to mitigate pollution at home, build subsidized housing, and relieve "the plight of our cities." Free enterprisers, of course, will lament the foreign giveaway on the far more realistic calculation of how enormously the production, and the wealth and welfare of every class of our popu-

lation, could have been increased by \$131 to \$199 billion in more private investment in new and better tools and cost-reducing equipment, and in higher living standards, and in more and better homes, hospitals, schools, and universities.

The Political Arguments

What have been the economic or political compensations to the United States for the staggering cost of its foreign aid program? Most of them have been illusory.

When our successive Presidents and foreign aid officials make inspirational speeches in favor of foreign aid, they dwell chiefly on its alleged humanitarian virtues, on the need for American generosity and compassion, on our duty to relieve the suffering and share the burdens of all mankind. But when they are trying to get the necessary appropriations out of Congress, they recognize the advisability of additional arguments. So they appeal to the American taxpayer's material self-interest. It will redound to his benefit, they argue, in three ways: 1. It will increase our foreign trade, and consequently the profits from it. 2. It will keep the underdeveloped countries from going communist. 3. It will turn the recipients of our grants into our eternally grateful friends.

The answers to these arguments are clear:

1. Particular exporters may profit on net balance from the foreign aid program, but they necessarily do so at the expense of the American taxpayer. It makes little difference in the end whether we give other countries the dollars to pay for our goods, or whether we directly give them the goods. We cannot grow rich by giving our goods or our dollars away. We can only grow poorer. (I would be ashamed of stating this truism if our foreign aid advocates did not so systematically ignore it.)

2. There is no convincing evidence that our foreign aid played any role whatever in reversing, halting, or even slowing down any drift toward communism. Our aid to Cuba in the early years of the program, and even our special favoritism toward it in assigning sugar quotas and the like, did not prevent it from going communist in 1958. Our \$769 million of aid to the United Arab Republic did not prevent it from coming under Russian domination. Our \$460 million aid to Peru did not prevent it from seizing American private properties there. Neither our \$7,715 million aid to India, nor our \$3,637 million aid to Pakistan, prevented either country from moving deeper and deeper into socialism and despotic economic controls.

Our aid, in fact, subsidized these very programs, or made them possible. And so it goes, country after country.

3. Instead of turning the recipients into grateful friends, there is ever-fresh evidence that our foreign aid program has had precisely the opposite effect. It is pre-eminently the American embassies and the official American libraries that are mobbed and stoned, the American flag that is burned, the Yanks that are told to go home. And the head of almost every government that accepts American aid finds it necessary to denounce and insult the United States at regular intervals in order to prove to his own people that he is not subservient and no puppet.

So foreign aid hurts both the economic and political interest of the country that extends it.

The Unseen Costs of Utopian Programs

But all this might be overlooked, in a broad humanitarian view, if foreign aid accomplished its main ostensible purpose of raising the living levels of the countries that received it. Yet both reason and experience make it clear that in the long run it has precisely the opposite effect.

Of course, a country cannot give away \$131 billion without its doing *something* abroad (though we

must always keep in mind the reservation — instead of something *else* at home). If the money is spent on a public housing project, on a hydroelectric dam, on a steel mill (no matter how uneconomic or ill-advised), the housing or the dam or the mill is brought into existence. It is visible and undeniable. But to point to that is to point only to the visible gross gain while ignoring the costs and the offsets. In all sorts of ways — economic, political, spiritual — the aid in the long run hurts the recipient country. It becomes dependent on the aid. It loses self-respect and self-reliance. The poor country becomes a pauperized country, a beggar country.

There is a profound contrast between the effects of foreign aid and of voluntary private investment. Foreign aid goes from government to government. It is therefore almost inevitably statist and socialistic. A good part of it goes into providing more goods for immediate consumption, which may do nothing to increase the country's productive capacity. The rest goes into government projects, government five-year plans, government airlines, government hydroelectric plants and dams, or government steel mills, erected principally for prestige reasons, and for looking impressive in colored photographs, and regardless

of whether the projects are economically justified or self-supporting. As a result, real economic improvement is retarded.

The Insoluble Dilemma

From the very beginning, foreign aid has faced an insoluble dilemma. I called attention to this in a book published in 1947, *Will Dollars Save the World?*, when the Marshall Plan was proposed but not yet enacted:

"Intergovernmental loans [they have since become mainly gifts, which only intensifies the problem] are on the horns of this dilemma. If on the one hand they are made without conditions, the funds are squandered and dissipated and fail to accomplish their purpose. They may even be used for the precise opposite of the purpose that the lender had in mind. But if the lending government attempts to impose conditions, its attempt causes immediate resentment. It is called 'dollar diplomacy'; or 'American imperialism'; or 'interfering in the internal affairs' of the borrowing nation. The resentment is quickly exploited by the Communists in that nation."

In the 23 years since the foreign-aid program was launched, the administrators have not only failed to find their way out of this dilemma; they have refused even to acknowledge its existence. They

have zigzagged from one course to the other, and ended by following the worst course of all: they have insisted that the recipient governments adopt "growth policies" — which mean, in practice, government "planning," controls, inflation, ambitious nationalized projects — in brief, socialism.

If the foreign aid were not offered in the first place, the recipient government would find it advisable to try to attract foreign private investment. To do this it would have to abandon its socialistic and inflationary policies, its exchange controls, its laws against taking money out of the country. It would have to abandon harassment of private business, restrictive labor laws, and discriminatory taxation. It would have to give assurances against nationalization, expropriation, and seizure.

Specifically, if the nationals of a poor country wanted to borrow foreign capital for a private project, and had to pay a going rate of, say, 7 per cent interest for the loan, their project would have to be one that promised to yield at least 7 per cent before the foreign investors would be interested. If the government of the poor country, on the other hand, can get the money from a foreign government without having to pay interest at all, it need not trouble to ask itself whether the proposed project is

likely to prove economic and self-liquidating or not. The essential market guide to comparative need and utility is then completely removed. What decides priorities is the grandiose dreams of the government planners, unembarrassed by bothersome calculations of comparative costs and usefulness.

The Conditions for Progress

Where foreign government aid is not freely offered, however, a poor country, to attract private foreign investment, must establish an actual record of respecting private property and maintaining free markets. Such a free-enterprise policy by itself, even if it did not at first attract a single dollar of foreign investment, would give enormous stimulus to the economy of the country that adopted it. It would first of all stop the flight of capital on the part of its own nationals and stimulate *domestic* investment. It is constantly forgotten that both domestic and foreign capital investment are encouraged (or discouraged) by the same means.

It is not true, to repeat, that the poor countries are necessarily caught in a "vicious circle of poverty," from which they cannot escape without massive handouts from abroad. It is not true that "the rich countries are getting richer while the poor countries are

getting poorer." It is not true that the "gap" between the living standards of the poor countries and the rich countries is growing ever wider. Certainly that is not true in any *proportionate* sense. From 1945 to 1955, for example, the average rate of growth of Latin American countries in national income was 4.5 per cent per annum, and in output per head 2.4 per cent — both rates appreciably higher than the corresponding figure for the United States.³

Intervention Breeds Waste

The foreign aid ideology is merely the relief ideology, the guaranteed-income ideology, applied on an international scale. Its remedy, like the domestic relief remedy, is to "abolish poverty" by seizing from the rich to give to

the poor. Both proposals systematically ignore the reasons for the poverty they seek to cure. Neither draws any distinction between the poverty caused by misfortune and the poverty brought on by shiftlessness and folly. The advocates of both proposals forget that their chief attention should be directed to restoring the incentives, self-reliance, and *production* of the poor family or the poor country, and that the principal means of doing this is through the free market.

In sum, government-to-government foreign aid promotes statism, centralized planning, socialism, dependence, pauperization, inefficiency, and waste. It prolongs the poverty it is designed to cure. Voluntary private investment in private enterprise, on the other hand, promotes capitalism, production, independence, and self-reliance. It is by attracting foreign private investment that the great industrial nations of the world were once helped. It is so that America itself was helped by British capital, in the nineteenth century, in building its railroads and exploiting its great national resources. It is so that the still "underdeveloped areas" of the world can most effectively be helped today to develop their own great potentialities and to raise the living standards of their masses. ☉

³ Cf. "Some Observations on 'Gapology,'" by P. T. Bauer and John B. Wood in *Economic Age* (London), November-December 1969. Professor Bauer is one of the few academic economists who have seriously analyzed the fallacies of foreign aid. See also his Yale lecture on foreign aid published by The Institute of Economic Affairs (London), 1966, and his article on "Development Economics" in *Roads to Freedom: Essays in Honour of Friedrich A. von Hayek* (London: Routledge & Kegan Paul, 1969). I may also refer the reader to my own book, *Will Dollars Save the World?* (Appleton, 1947), to my pamphlet, *Illusions of Point Four* (Irvington-on-Hudson, New York: Foundation for Economic Education, 1950), and to my chapter on "The Fallacy of Foreign Aid" in my *Man Vs. the Welfare State* (Arlington House, 1969).

A Youthful Purpose

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JAMES W. MULLER

This article is from the address presented by Mr. Muller as valedictorian of the 1970 graduating class of the Horace Greeley High School in Chappaqua, New York.

* * *

TURN to the person sitting next to you. Now ask yourself if you could be this person for just one day. Could you go through his life acting just as he would?

The answer, obviously, is no. This person is an individual. You are another. Your lives are not interchangeable.

And would you let him be you for a day? Certainly not! There would be no telling what he might do to your friendships, what silly propositions he might accept in your name, or which of your possessions he might lose or waste.

If the question were rephrased so that you became him for his whole life, the answer would be no, even more resolutely.

And if the question dealt with the population of a whole nation, it would be absolutely preposter-

ous! Each of us expends all his waking energies running his own life; it would be inconceivable for anyone to run more than one.

But a whole conception of government is based on this absurdity, and it is the system which has always ruled the majority of mankind. Not at all surprisingly, it has done very poorly. Statism has slipped through history as feudalism, absolute monarchy, proletarian dictatorship, fascism, socialism, and in a score of other guises. Every form is based on the thesis that someone should be able to force you to do something you would rather not do. The instrument is coercion. By wielding this club the state rules men.

Having discovered the nature of statism, we ought to look critically at our own society to see if we are guided by its tenets. But first it is necessary to decide what the state should properly do.

It is evident that men, if left to do literally whatever they wanted to, would soon begin to take unfair advantage of other men by

subverting their liberties through brute force. This, unfortunately, is the history of human behavior. Thus we set up an agency to defend our liberties from internal or external attack. This agency has come to be called government. Experience has shown that certain systems of organization for its operation work best, and the men who wrote our Constitution did a remarkable job of establishing a workable system. Essentially, then, the purpose of the state is to ensure the liberties of all the people by using negative restraints. It is not to enter the social, economic, or moral realms in the hope of remaking men in a better image. To do so is only to subvert the very liberties it is designed to safeguard.

***The State Out of Bounds —
and Few Seem to Care***

In our society we have such an agency whose organizational units are dispersed throughout the nation. With only a cursory examination, however, we see that it has gone far beyond its proper bounds. Furthermore, few people oppose this false direction for the state.

Instead, the current debate centers rather ludicrously on trying to determine what form of statism is most enlightened. We hear of a critical discussion waging in Washington on what are called

national priorities. This term is conveniently misleading because it implies that one or another improper governmental function is most important — more important than our own activities. It fails to recognize that our national priorities were set almost two hundred years ago. Most important to each of us are his individual priorities, and to set these is not the state's responsibility.

The disputants in this great debate over priorities attempt to decide which coercive functions of the state are most crucial. Perhaps a farmer argues with a senior citizen about the relative virtues of parity payments and social security. Here we see the statist mentality at work. Frédéric Bastiat, a French economist, exposed the futility of this conception in his perceptive aphorism: "The state is the great fiction by which everyone tries to live at the expense of everyone else." Never is there a brief recess to reflect that just possibly a man can ethically tap only his own resources. A thin veil called democracy cannot conceal plunder. Coercion by a majority is no less reprehensible than that perpetrated by a tyrant, even if its application is less bold and bloody and bright.

There is a strong reluctance on the part of the American people to

part with the cherished sanctuaries of statism in their midst. I was once discussing an especially blatant example of statism in this country when one of the group exclaimed: "Why, I think your ideas are frightening!" Somewhat taken aback at first, I replied: "You find it frightening that I don't want to run your life and don't want you to run mine?" This was a new thought.

The statist feature in question was public education, a system characterized by state-run schools which have a high degree of compulsion in curriculum, attendance, and other features. Not only must every child attend these schools, or others approved by the state, but every person of suitable income must pay for their operation and maintenance. And the great potential for widespread and meaningful progress through free education has declined.

Recently I expressed pleasure that the bond issue for the construction of a new library in Chappaqua had failed. Another person immediately said he agreed with me that the site in question was not a good one. He was then rather astonished when I replied: "On the contrary, it was a good site. I hope someone builds a library there. But not the town of Chappaqua."

And the reaction to my offhand

remark that democracy alone would never guarantee liberty was even more revealing. "What," asked my companion, "you are against majority control?" I replied that I was against control if it meant coercion, adding: "Democracy is an equitable way to choose our public officials, but with it must go a better understanding of the proper role of the state."

Until we recognize that fact — that just as the factory guard was never intended to be the plant manager, the government's purpose is not to rule but to keep the peace — we in America will be forever susceptible to what Jefferson called "every form of tyranny over the mind of man." Restraints on creative energy do no good. Coercion in a humanitarian guise — and here I mean social security, minimum wage laws, welfare payments, and the like — does no good. Legislated morality — and here I mean antipornography laws, prohibition, laws against cigarette advertising, and the like — does no good. And governmental monopolies, outright or clandestine, on any enterprise — and here I mean regulating such businesses as the telecommunications industry to such an extent that their every move must be sanctioned by the government, building roads, running our star-crossed state mail system, and the like — do no good.

Closed to Further Thought

I am told that if the government did not accomplish all these functions, no one would. But consider the train of thought involved. Once the government becomes involved in any enterprise, it is thought that no one else could accomplish it, simply because no one else is allowed to try. Whether the prohibition is effected by outright legislation or through economic pressure, it is impossible for anyone to conceive of another course. (If you tried to set up a rival post office system now, you would soon run into all the problems I am discussing.) Now imagine for a moment that the government at its inception had decided, for whatever reason, that it would provide shoes and socks to every American child until the age of twelve. If someone later proposed that this be handled by the free market, the retort would be that clearly only the government could handle this function. Surely those who wish to end the state's role would have the children walk around without shoes and socks and freeze in the winter, would have them get nails and thorns in their tender feet as they walk to school unshod! What inhumanity indeed!

A favorite tack of statist is to respond to attacks on the statist machinery by asking: "What

would you put in place of those things you wish were abolished?" This question is usually followed by general comments about the necessity of being constructive.

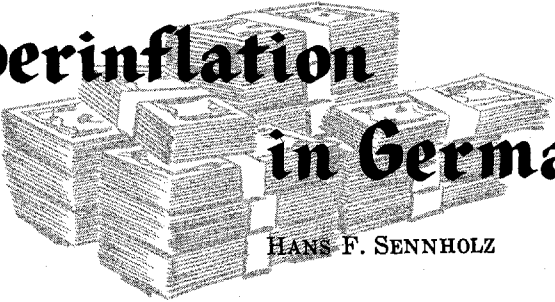
To my mind no greater fallacy has worked its way into the American character. It assumes that the person who wishes to stop improper governmental activities is all set to substitute his own blueprint for the society in their place. It ignores the fact that there are two hundred million Americans, each of whom may have ideas to handle these activities, and each of whom will be allowed to implement them in the free market if he so wishes. I certainly do not have all the answers, because I am only one of the two hundred million. Perhaps I would not have thought of the light bulb, but Thomas Edison did, and we are all the better for it. No such invention has been produced through coercive force.

Robert Goddard, the father of modern rocketry, said in his high school valedictory address in 1904: "It is difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow."

It is my hope today that the dream of the men who wrote the Constitution will become the reality of our tomorrow.



Hyperinflation in Germany



HANS F. SENNHOLZ

THE ORGANIZATION for Economic Cooperation and Development, which endeavors to achieve international coordination of government policies, recently expressed alarm about the ever accelerating rates of inflation. It called the pace of monetary depreciation "unacceptably high" and warned about the inherent dangers of a major business depression as a result of rampant inflation. In fact, many European economists are convinced that "the Western world is at the threshold of a runaway inflation of the Latin-American type."

During the 1950's we had grown accustomed to a creeping depreciation of currencies at an average rate of 2 per cent a year. During the 1960's the rate had climbed to 4 and 5 per cent; last year it reached 6 per cent, which is well beyond the creeping pace. And, if we project the depreciation growth

rates of the 1960's to the 1970's, we must brace ourselves for inflation of 10 to 20 per cent annually.

We need not here analyze many political and social aspects of this ominous development in the Western world. But we should like to review the history of the greatest inflation of the century, the German hyperinflation of the early 1920's, and the ideological causes that brought it about. For history is the glass through which we may behold the deeds and errors, the foibles and misfortunes of mankind.

The German inflation, too, began with a creeping rate of one and two per cent. When World War I broke out, the central bank (Reichsbank) immediately suspended redeemability of its notes in order to prevent a run on its gold reserves. Then it offered assistance to the central government toward financing the war effort. As taxes are always unpopular the government preferred to borrow huge amounts of money to cover

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its budgetary deficits. And the central bank assisted every issue of new treasury obligations by discounting much of it. Thus, a large percentage of government debt found its way into the vaults of the Reichsbank and an equivalent amount of printing-press money into the peoples' cash holdings. As in other belligerent countries, the central bank was monetizing the growing government debt.

By the end of the war, the amount of money in circulation had risen fourfold and prices some 140 per cent. Yet, the German mark had suffered no more than the British pound, was somewhat weaker than the American dollar, but stronger than the French franc. Five years later, in December 1923, the Reichsbank had issued 496.5 quintillion marks each of which had fallen to one trillionth of its 1914 gold value.¹

¹ According to the British and German systems of numeration, the billion is a million of millions, a trillion a million of billions, and each higher denomination (e.g. quadrillion, quintillion, sextillion, etc.) is a million times the one preceding. In the American system, the billion is a thousand millions, and each higher denomination is a thousand times the preceding. It must also be noted that a billion in the U.S. system is called milliard in the British and German systems. In German and British texts the sentence would thus read: "Five years later in December 1923 the Reichsbank had issued 496.5 trillion marks each of which had fallen to one billionth of its 1914 gold value."

How stupendous! Practically every item of trade was costing trillions of marks. The American dollar was quoted at 4.2 trillion marks, the American penny at 42 billion marks. How could a European nation that prided itself on its high levels of education and scholarly knowledge suffer such a thorough destruction of its money? Who would inflict on a great nation such evil which had ominous economic, social, and political ramifications not only for Germany but for the whole world? Was it the victors of World War I who, in diabolical revenge, devastated the vanquished country through ruinous financial manipulation and plunder?

Every mark was printed by Germans and issued by a central bank that was governed by Germans under a government that was purely German. It was German political parties, such as the Socialists, the Catholic Centre Party, and the Democrats, forming various coalition governments, that were solely responsible for governmental policies. Of course, admission of responsibility for any calamity cannot be expected from any political party.

The reasoning that led these parties to inflate the national currency at such astronomical rates is not only interesting for economic historians, but also exposes

the rationale of monetary destruction. The doctrines and theories that led to the German monetary destruction have been applied with similar consequences in many other countries, and underlie the rampant inflation throughout the Western world today.

Four erroneous doctrines or theories guided the German monetary authorities in those baleful years.

No Inflation in Germany

The most amazing economic sophism advanced by eminent financiers, politicians, and economists endeavored to show that there was neither monetary nor credit inflation in Germany. These experts readily admitted that the nominal amount of paper money issued was indeed enormous. But the *real value* of total currency in circulation, that is, the total value in terms of gold or goods prices, they argued, was much lower than before the war and low relative to that of other industrial countries.

The Minister of Finance, celebrated economist Helfferich, repeatedly assured his nation that there was no inflation in Germany since the total value of currency in circulation, when measured in gold, was covered by the gold reserves in the Reichsbank at a much higher ratio than before the war.²

The President of the Reichsbank Havenstein categorically denied that the Central Bank had inflated the German currency. He was convinced that it followed a restrictive policy since its portfolio was worth, in gold marks, less than half its 1913 holdings.

Professor Julius Wolf wrote in the summer of 1922: "In proportion to the need, less money circulates in Germany now than before the war. This statement may cause surprise, but it is correct. The circulation is now 15 to 20 times that of pre-war days, whilst prices have risen 40 to 50 times." Similarly, Professor Elster reassured his people: "However enormous may be the apparent rise in the circulation in 1922, actually the figures show a decline."³

The Statistical Bureau of the German Government even calculated the real values of the per capita circulation in various countries. It, too, concluded that there was a shortage of currency in Germany, but a great deal of inflation abroad.

Of course, this fantastic conclusion drawn by monetary authorities and experts bore ominous consequences for millions of people. Through devious sophisms, it simply denied individual responsibility for the disaster and thus

² *Das Geld*, 1923, p. 646.

³ *Von der Mark zur Reichsmark*, 1928, p. 167.

removed all limits to the issuance of more paper money.

GOLD VALUE OF MONIES IN CIRCULATION

	<i>Gold Marks Per Person</i>	
	<i>1920</i>	<i>1922</i>
Germany	87.63	17.92
England	84.40	110.73
France	180.05	229.90
Switzerland	89.49	103.33
U.S.A.	101.35	97.66

SOURCE: *Wirtschaft und Statistik*, 1923, No. 1.
(To arrive at U.S. dollar amounts
these figures should be divided by 4.2.)

The source of this momentous error probably lies in failure to understand one of the most important determinants of money value: the attitude of people toward money. For one reason or another, people may vary their cash holdings. An increase in cash holdings by many people tends to raise the exchange value of money; reduction in cash holdings tends to lower it. Now, in order to radically change their cash holdings, individuals must have cogent reasons. They naturally enlarge their holdings whenever they anticipate rising money value as, for instance, in a depression. And they reduce their holdings whenever they expect declining money value. In the German hyperinflation, they reduced their holdings to an absolute minimum and finally avoided any possession at all. It is obvious

that goods prices must then rise faster and the value of money depreciate faster than the rate of money creation. And if the value of individual cash holdings declines faster than the rate of money printing, the value of the total stock of money must also depreciate faster than this rate.

This is so well understood that even the mathematical economists emphasize the money "velocity" in their equations and calculations of money value.⁴ But the German monetary authorities were unaware of such basic principles of human action.

For Health, Education, Welfare, and Full Employment

Immediately after the war, the German government, under the leadership of the Socialist party, embarked upon heavy expenditures for health, education, and welfare. This added to the already heavy load on the Treasury for demobilization expenses, the demands by the Armistice, the disorders of the revolution, staggering deficits of the nationalized industries, especially the railroads, postal services, telephone, and telegraph. The resources made available by the creation of new money were apparently unlimited! A number of measures for the nationalization

⁴ Cf. my essay on "The Value of Money" in *THE FREEMAN*, Nov. 1969.

of certain industries (e.g., coal, electrical, and potash industries) were introduced, but failed to become law. The eight-hour day was enacted, and labor unions were given many legal immunities and privileges. In fact, a system of labor councils was set up which authorized the workers in each enterprise to elect representatives who shared in the management of the company!

While government expenditures rose by leaps and bounds, the revenue suffered a gradual decline; in October 1923, only 0.8 per cent of government expenses were covered by tax revenues. For the period from 1914 to 1923 scarcely 15 per cent of the expenses were covered by means of taxes. In the final phase of the inflation the German government experienced a complete atrophy of the fiscal system.

The depreciation of the currency brought about the destruction of taxable wealth in the form of mortgages and bonds, annuities and pensions, which in turn reduced government revenue. It is true, some speculators reaped spectacular profits from the depreciation, but they easily evaded the tax collector. Moreover, the fiscal policies of the Socialist government were openly hostile toward capital and frequently endeavored to impose confiscatory capital levies upon all wealth. Secretary

of the Treasury Erzberger even vowed that "in the future Germany, the rich should be no more." Consequently a massive "flight of capital" from Germany developed as all classes of savers invested their money in foreign bank accounts, currencies, bills, securities, and the like. Much taxable wealth was removed from the grip of tax collectors.

Furthermore, the rapid depreciation of currency greatly reduced all tax liabilities during the time interval between the taxable transaction and the date of tax payment. The taxpayer usually paid a sum the real value of which was greatly reduced by inflation. Nevertheless, government expenditure accelerated, while revenue in terms of real value continued to decline. The growing deficits then were met with even larger quantities of printing press money, which in turn generated ever larger deficits. The German monetary authorities were trapped in a vicious circle from which they had neither the political courage nor the financial know-how to extricate themselves.

The leading monetary authority, Dr. Helfferich, even warned his people against the dire consequences of monetary stabilization. "To follow the good counsel of stopping the printing of notes would mean refusing to economic

life the circulating medium necessary for transactions, payments of salaries and wages, and so on; it would mean that in a very short time the entire public, and above all the Reich, could no longer pay merchants, employees, or workers. In a few weeks, besides the printing of notes, factories, mines, railways and post office, national and local government, in short, all national and economic life would be stopped."⁵

The Balance of Payments and the Treaty of Versailles

Throughout the period of the inflation the most popular explanation of the monetary depreciation laid the blame on an unfavorable balance of payments, which in turn was blamed on the payment of reparations and other burdens imposed by the Treaty of Versailles. To most German writers and politicians, the government deficits and the paper inflation were not the cause, but the consequences, of the external depreciation of the mark.

The wide popularity of this explanation, which charged the victorious allies with full responsibility for the German disaster, bore ominous implications for the future. Its simplicity appealed to the masses of economically ignorant people whose chauvinism and

nationalism always make the idea of foreign intrigue and conspiracy so palatable. The intellectual and political leaders who actively propagated the doctrine were sowing the seeds for the whirlwind they ultimately reaped a decade later.

During those baleful years, Germany procured gratuitously from abroad large quantities of raw materials and foodstuffs. According to various authoritative estimates, foreign individuals and banks bought at least 60 billion paper marks which the Reichsbank had floated abroad at an average price of $\frac{1}{4}$ gold mark for a paper mark. The depreciation of the mark to one trillionth of its earlier value repudiated these foreign claims to German goods. Thus, foreigners suffered losses of some 15 billion gold marks, or some \$3.5 billion U.S. dollars, which was eight times more than Germany had paid in foreign exchange on account of reparations.

Even if it had been true that excessive burdens were thrust on Germany by the Allies, there was no need for any monetary depreciation. The two phenomena are entirely independent. If excessive burdens are thrust upon a government, whether they be foreign or domestic, government must raise taxes, or borrow some funds, or curtail other expenditures. Excessive reparation payments may ne-

⁵ *Das Geld*, p. 650.

cessitate higher taxes on the populace, or large loans that reduce the supply of savings for industry and commerce, or painful cuts in government service and employment. The standard of living of the people thus burdened will probably be depressed — unless the reduction of bureaucracy should release new productive energy. But the value of money is not affected by the reparation burden unless economic productivity is impaired by the fund raising.

Once government has achieved the necessary budgetary surplus, the payment of reparations is a simple matter of exchange. The Treasury buys the necessary gold or foreign exchange from its central bank and delivers it to the recipient government. The loss of gold or foreign exchange then necessitates a corresponding reduction of central bank money, which in turn tends to depress the prices of goods. The lowered prices encourage more exports while they discourage imports, that is, generate what is commonly called a "favorable balance of payments" or new influx of gold and foreign exchange. In short, there can be no shortage of gold or foreign exchange as long as the central bank refrains from inflation and monetary depreciation.

The German monetary authorities flatly denied this economic

reasoning. Instead, they preferred to lament the excessive burdens thrust onto Germany and the unfavorable balance of payments generated thereby. In 1923 they added yet another excuse: the French occupation of the Ruhr district. The Central Statistical Office put it this way: "The fundamental cause of the dislocation of the German monetary system is the disequilibrium of the balance of payments. The disturbance of the national finances and the inflation are in their turn the consequences of the depreciation of the currency. The depreciation of the currency upset the Budget balance, and determined with an *inevitable necessity* a divergence between income and expenditure, which provoked the upheaval."⁶

Again I quote Dr. Helfferich: "Inflation and the collapse of the exchange are children of the same parent: the impossibility of paying the tributes imposed on us. The problem of restoring the circulation is not a technical or banking problem; it is, in the last analysis, the problem of the equilibrium between the burden and the capacity of the German economy for supporting this burden."⁷

Even American economists

⁶ *Deutschlands Wirtschaftslage*, March 1923, p. 24.

⁷ "Die Autonomie der Reichsbank" in *Börsen-Courier* of Apr. 4, 1922.

echoed the German theory. Professor John H. Williams presented this causal order: "Reparation payments, depreciating exchanges, rising import and export prices, rising domestic prices, consequent budgeting deficits, and at the same time an increased demand for bank credit; and finally increased note-issue."⁸ And Professor James W. Angell contended that "the reality of the type of analysis which runs *from* the balance of payments and the exchanges *to* general prices and the increased issue of paper seems to be definitely established."⁹

Speculators Did It

When all other explanations are exhausted, modern government usually falls back on the speculator who is held responsible for all economic and social evils. What the witch was to medieval man, the capitalist is to socialists and communists, the speculator is to most politicians and statesmen: the embodiment of evil. He is said to be imbued with ruthless and fickle selfishness that is capable of wrecking the national economy, governmental plans, and, in the case of the German inflation, the

national currency. No matter how blatantly contradictory this explanation may be, it is most popular with government authorities in search of a convenient explanation for the failure of their own policies.

The same German officials who denied the very existence of inflation lamented the depreciation caused by speculators. Or they blamed the Allied reparation burdens and simultaneously denounced speculators for the depreciation. Dr. Havenstein, the President of the Reichsbank, embracing every conceivable theory that might clear his own policies of blame, also pointed at the speculators. Before a parliamentary committee, he testified: "On the 28th of March began the attack on the foreign exchange market. In very numerous classes of the German economy, from that day onward, thought was all for personal interests and not for the needs of the country."

In a chorus, the newspapers repeated the charge: "According to all appearances the fall of the mark did not have its origin in the New York exchange, from which it may be concluded that in Germany there was active speculation directed toward the continual rise of the dollar. . . . We are witnessing a rapid increase in the number of those who speculate on the fall

⁸ "German Foreign Trade and the Reparations Payments" (*Quarterly Journal of Economics*, 1922, p. 503).

⁹ *The Theory of International Prices*, 1926, p. 195.

of the mark and who are acquiring vested interests in a continual depreciation. . . . The enormous speculation on the rise of the American dollar is an open secret. People who, having regard to their age, their inexperience, and their lack of responsibility, do not deserve support, have nevertheless secured the help of financiers, who are thinking exclusively of their own immediate interests. . . . Those who have studied seriously the conditions of the money market state that the movement against the German mark remained on the whole independent of foreign markets for more than six months. *It is the German bears, helped by the inaction of the Reichsbank, who have forced the collapse in the exchange.*"

In its broadest sense, speculation is every economic action that makes provision for an uncertain future. The student who studies aeronautical engineering speculates on the future demand for his services. The businessman who enlarges his inventory speculates on a profitable market in the future. The housewife who hoards sugar speculates on the availability of sugar in the future. The buyer or seller of goods or securities hopes to make a profit from future changes in prices. All such actions reflect a natural motivation of free men to improve their material

well-being or, at least, to avert losses.

When speculators observe or anticipate more inflation and monetary depreciation, they naturally endeavor to sell the depreciating currency and buy goods or foreign exchange that do not depreciate. They are preserving their working capital. Thus, they are promoting not only their own interests but also those of society which benefits from the preservation of productive capital. The government that is actively destroying the currency is injuring the national interest; successful speculators are safeguarding it. Surely, the speculators who sold German marks and bought U.S. dollars proved to be right in the end.

The Current Dilemma in the Light of the German Experience

The world-wide inflation that is engulfing the free world now springs from similar doctrines and theories. It is true, there is no Treaty of Versailles and no reparation payments that can be blamed for the inflation. But in many countries of Central and Western Europe the responsibility for monetary depreciation is squarely laid on American balance of payments deficits that are flooding those countries with U. S. dollars. While European monetary

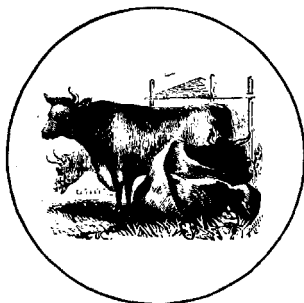
authorities are actively inflating and depreciating their own currencies — although at a slower rate than their American counterparts — they are pointing at the U.S. balance of payments as the ultimate cause of their currency depreciation. As in the German hyperinflation foreign intrigue and artifice are said to be at work again.

And again the speculators are charged for a share of the blame. American investors who buy foreign securities or make direct foreign investments are said to be largely responsible for the outflow of U.S. funds and loss of gold, which is creating an unfavorable balance of payments and weakening the U.S. dollar. Moreover, Americans who prefer foreign products over home-made products, or choose to travel abroad rather than stay at home are derided as selfish and unpatriotic. Numerous regulations imposed by the very monetary authorities who perpetrate the inflation aim to prevent speculation in order to save the dollar.

The specious argument that denies the presence of any inflation in terms of purchasing power or gold value may be expected to emerge in later phases of the in-

flation when monetary authorities will desperately seek any argument that promises to hold them blameless.

The most popular contemporary doctrine that advocates inflation and credit expansion pleads its case in terms of economic boom and full employment. Our economic order which is laboring under heavy government intervention and restriction is a stop-and-go system with alternating booms and busts. The booms are generated by heavy budgetary deficits and monetization of government debt. The busts inevitably follow the booms as soon as stabilization is attempted or the rate of inflation is temporarily slowed in order to prevent a hyperinflation. Under the sway of the "new economics" of Lord Keynes and his American disciples, our monetary authorities inflate and depreciate to finance the boom, and then "reinflate" when the economy falters, to prevent massive unemployment. Inflation is the modern panacea for political, social, and economic evils most of which were created by the inflation itself. In truth, it is a savory poison that slowly kills not only the patients who take it but also the doctors who prescribe it. 



THE TRAGEDY OF THE COMMONS

THE TITLE for this piece was borrowed from Garrett Hardin and his article that first appeared in *Science*, and later in *The Environmental Handbook* prepared for the First National Environmental Teach-In.

I do not want to imply that I agree with all of Hardin's ideas, but he does give a very good explanation of the tragedy of commonly owned property when each person is free to use it as he sees fit.

He uses as an example the common pasture, where, as explained by Hardin, each herdsman asks, "What is the utility to me of adding one more animal to the herd?" This utility has two aspects: the positive one of increased income to the herdsman from the sale of the additional animal, and the nega-

tive aspect of increased overgrazing created by one more animal.

Since the positive increment goes entirely to the herdsman, and the negative effect is spread among all the herdsmen who use the pasture, it is obviously to the individual herdsman's advantage to increase the size of his herd, regardless of its effects on the pasture. This same conclusion is reached by every herdsman that shares the common pasture.

As Hardin explains: "Each man is locked into a system that compels him to increase his herd without limit — in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to all."

With today's increasing concern over our natural resources and our

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environment, ecologists are fond of pointing at present-day deserts in the Middle East, Spain, and other parts of the world that were once productive lands, but were turned by man into nonproductive barrens.

But if we were to study the history of these areas in detail, we would find that they are examples of the "Tragedy of the Commons," where each herdsman tried to reap the most possible benefit to himself from common pastures, without regard to the negative aspects of over-use of the land.

We witnessed the same phenomenon in our own West, when stockmen appropriated vast areas of publicly-owned land for their own use. As long as each stockman had control of "his own range," it was generally well managed, within its grazing capacity. But when the range became overcrowded, and the Federal government yielded to demands to open the public ranges for indiscriminate use, serious overgrazing began, to the detriment not only of the lands, but also of those who used them.

On the other hand, some of the most productive lands of the world have been privately owned and managed for centuries, for the benefit of the owner.

It is not possible to get optimum use out of commonly owned lands, no matter how well regulated they may be by some land agency or

authority. Each interest seeks to gain the most possible from the land. The grazier is not interested in the timber resource. The timberman is not interested in the minerals that may lie beneath the soil. The miner is interested in neither the grass nor the trees.

But if the land is owned by an individual, whether he is a rancher, a timberman, or a miner, all the costs and all the benefits accrue to him, so he seeks to make the best possible use of the property. The rational owner realizes that in the long run the practices that are best for the land are the best for him.

The timberman owner sees the grass and makes it available for livestock or wildlife, while making sure that the land will be kept productive for future crops of both timber and grass. Even the miner, who may seemingly destroy the land through strip mining, recognizes that his own best interests require the reclamation of that land for timber, grazing, recreation, or other uses that will satisfy human wants.

So the real "Tragedy of the Commons" is that we have failed to learn from our past experience. We have failed to learn that land and resources in private ownership will not be destroyed, but will be preserved, simply because it is in the owner's best interest to preserve them. 

Profits and Profit-Makers

What does the public think about them?

LAWRENCE FERTIG

IT IS AXIOMATIC that a nation which hopes to substantially improve its standard of living and maximize economic growth must provide maximum freedom for the entrepreneur. For it is the entrepreneur who makes decisions about the use of capital and directs his ideas and energies toward meeting the most urgent demands of the consumer. Upon his efficiency depend the creation of profits and the accumulation of capital so essential to increasing the goods and services available for the citizens of any country.

If the American public clearly understood this concept, the re-

strictions and impediments placed on the operations of the entrepreneur in the United States would never have been initiated. In this paper I shall try to describe the public image of the entrepreneur, suggest some reasons why the American public has a distorted view of the entrepreneurial function, and discuss some of the effects of this distortion upon the economy of the United States.

According to entrepreneurial theory as developed by Mises and Knight, there would be no profits and no capital accumulation in a static society.¹ A changing society

¹ Frank H. Knight, *Risk, Uncertainty and Profit* (Boston: Houghton Mifflin, 1921), p. 36:

"No *a priori* argument is necessary to prove with general foreknowledge of progressive changes, no losses and no chance to make profits will arise. This is

Mr. Fertig is an economic columnist. This article is condensed from his paper before the meeting of the Mont Pelerin Society in Munich, Germany, September, 1970, being one of several presentations concerning the image of the entrepreneur in various countries.

is necessary to provide opportunity for the entrepreneur's judgment and talents. Wherever the future is uncertain, the abilities of the entrepreneur come into play. Uncertainty is the basis of the risks he takes. It is his perception, estimates, and judgment about the future which permit him possibly to make a profit and accumulate capital.

According to the above theory, practically everyone is an entrepreneur who employs the factors of production toward fulfilling the needs of the citizens. Some do so

the first principle of speculation and is particularly familiar in the capitalization of the anticipated increase in the value of land."

Ludwig von Mises, *Planning for Freedom* (South Holland, Ill.: Libertarian Press, 1952), pp. 119-120:

"Profits are never normal. They vary only where there is a maladjustment, a divergence between actual production and production as it should be in order to utilize the available material and mental resources for the best possible satisfaction of the wishes of the public. They are the price of those who remove this maladjustment that disappear as soon as the maladjustment is entirely removed. In the imaginary construction of an evenly rotating economy there are no profits. There the sum of the prices of the complementary factors of production, due allowance being made for time preference, coincide with the price of the product. . . . It is the entrepreneurial decision that creates either profit or loss. It is mental acts of the mind of the entrepreneur from which profits ultimately originate. Profit is a product of the mind, the success in anticipating the future state of the market."

efficiently and gain a profit, and some inefficiently and incur a loss. This applies equally to large corporate organizations, small companies, and individuals in their business activity.

Plainly, encouragement of the free market and the absence of strangling restrictions provide the most fertile ground for entrepreneurial skills. This is the basis of a nation's progress. It makes possible increased capital formation, the most efficient use of capital, and the greatest possible increase in the living conditions of all citizens.

Function vs. Image of the Entrepreneur

But unfortunately the *function* of the entrepreneur, as defined by leading neoclassical economists, is hardly the *image* of the entrepreneur in the mind of the man in the street. Perhaps we can clarify this subject by restating the basic question as follows: What do most American citizens think about profits and those who are engaged in making profits? The answer to that question would give us the key to the image of the entrepreneur.

Under our representative form of government, what citizens think about profits and private enterprise has a way of becoming law about this subject.

There are a number of pieces of evidence which bear on the image of the entrepreneur and can lead us to some valid conclusions. The evidence runs along the following lines:

1. Sporadic opinion polls on profits and the entrepreneur.

2. Laws affecting the entrepreneur which are passed in Congress, including revision of the tax structure.

3. The nature of concepts and ideas which prevail in institutions of higher learning in the U.S. The student of today becomes teacher, editor, community leader, and legislator of tomorrow. What he is taught in college becomes of vital importance to the function of the entrepreneur.

4. Books, articles, and speeches by leading intellectual figures which have a decided effect on the thinking of the typical citizen and on the restraints he is willing to enforce upon enterprise and profit.

5. Entrepreneurial decisions by the man in the street — as opposed to general ideas which he may express — and which can give us a clue as to how he feels about some aspects of profits and free enterprise.

Opinion Polls on the Entrepreneur

Practically all surveys of public opinion reveal that the American public accepts the idea of profits

as a necessary part of our business system.² But they also reveal that more than half the public is always of the opinion that profits are “too high” and that the public is misinformed on the relative magnitude of wages, profits, and the like. There is a general impression that the workers do not fairly share the wealth which they help to create. For instance, polls show that a great majority of the public believes that the larger share of productivity increases always goes to stockholders in the form of profits. These opinions are especially strong among many professional people — school teachers, ministers, and others.³ While these surveys do not constitute conclusive evidence, their findings reveal a blurred image of the entrepreneur in the public mind, to say the least.

Favoring the Small Entrepreneur — Penalizing the Big Company

It is important to note one central fact about the image of the entrepreneur which invariably emerges from the evidence at hand. While the typical citizen considers himself to be rather favorable in a general way to

² Claude Robinson, *Understanding Profits* (Princeton: D. Van Nostrand & Co.), Ch. 2, “What the Public Thinks of Profits,” pp. 30, 31, 32, 33.

³ *Ibid.*, p. 29.

private enterprise and profits, he does not think of small companies in the same category as big business. The man in the street knows little or nothing of the function of the entrepreneur as defined by neoclassical economists. He regards the corner grocery store, the hamburger stand, and the recently formed small manufacturer in quite a different light from U.S. Steel, General Motors, DuPont, and the like. Furthermore, he tends to think of an entrepreneur as someone who undertakes a *new* venture, not as an individual or group who must make important judgments every day in the conduct of some vast company like DuPont or General Motors.

Of course, he may be willing to concede that *some phases* of large business activity require entrepreneurial skills, such as promoting new inventions by General Electric, new techniques of producing steel, newly discovered drugs, and so forth. But in the main he conceives of the entrepreneur as a small or medium-size business which is engaged in some new creative effort. This concept of entrepreneurship is reflected in the kind of legislation by Congress which he approves.

Such legislation, for instance, authorized setting up a Small Business Administration (SBA) "to

aid the little fellow." The perilous state of small business is often due to the backbreaking load of taxes, work restrictions enforced by labor unions, minimum wage laws which prevent the hiring of needed help, and so forth. Having burdened small business with these restrictions, the government then pursues the usual course of creating new interventions in an attempt to redress the evils which it created by former intervention.

We must contrast this government solicitude for the small and medium-size business with the numerous attacks and harassments on big corporations.

Taxes and the Entrepreneur

We gain further insight into the typical citizen's view of the entrepreneur by analyzing tax legislation which he and his representatives in Congress favor. These tax schedules generally tend to restrict entrepreneurial effort and capital accumulation. This is indeed a curious fact at the present time because there is urgent necessity for greater entrepreneurial effort and more capital in order to meet the needs of industry, states, and municipalities. Whether the problem is antipollution, housing, educational facilities, or transportation, the need is for capital and more capital.

In the face of this need it is

strange indeed that a responsible legislature would pass the Tax Reform Act of 1969. The complexity of this bill is in itself detrimental to the conduct of business. But most important of all, its main provisions plainly restrict capital accumulation and enterprise. In substance the Act provides for long-run reductions of over \$9 billion a year for individuals (mostly lower and middle income), two-thirds of which will be financed by increase on business and capital accumulation. Provisions of the Act which restrict capital accumulation include less depreciation on most new buildings, heavier taxes on producers of natural resources, and smaller loss reserves for financial institutions.

The Act raises the amount of personal income exempt from taxation, thus in effect lowering the tax rates for the low and middle income groups. On the other hand, it increases the tax rate for individuals with annual incomes of \$100,000 or more. At the same time the Act repeals the tax credit for investment by corporations which had acted as an incentive for modernizing and expanding production facilities.

One other provision of the new tax law affecting entrepreneurship requires mention. On the personal income tax form there is a provision for "earned income" in one

column, and "other income" in another column. The maximum tax on "earned" income will be only 50 per cent, for "other" income 70 per cent. This is one short step from adopting the idea of earned and unearned income — which is obviously a Marxian inheritance. Aside from this basic theoretical implication, the provision on the tax form which separates earned income from that derived from interest, dividends, royalties, and the like, is a clear indication of the tendency to underrate entrepreneurial freedom and the necessity of capital accumulation.

The above provisions (and many more) are undoubtedly a reflection of the attitude of Congress and the people that capital accumulation is not all-important and that large-scale entrepreneurs must be assessed at a higher rate than others.

The Intellectuals' Attack on Large-Scale Entrepreneurs

The public confusion about the nature of the entrepreneur is encouraged by socialistically oriented intellectuals. The general direction of their attack is to castigate the large corporations, to undermine confidence in established companies, and in fact to question the very basis of the free enterprise system. The free market, encour-

agement of the entrepreneur, and the importance of profits in private enterprise, are generally derided. Ideas advanced by these writers and teachers are the basis for editorials, special articles in magazines, and political campaigns. They become part of the intellectual framework of college students and most of those engaged in formulating social, political, and economic ideas.

Clear evidence of this may be seen in the predominance of textbooks which are anticapitalist at worst, and equalitarian and interventionist at best. A generation of college students have been brought up on the following texts: *Economic Analysis and Public Policy* by Bowman and Bach; *The Elements of Economics* by Lorie Tarshis; *Income and Employment* by Theodore Morgan, and most important of all, *Economics: An Introductory Analysis* by Paul Samuelson. The last-mentioned text has sold several million copies. It is no exaggeration to say that the vast majority of students who assimilated the ideas in these texts completed their education with a very low tolerance for free-market economics and freedom for the entrepreneur. A great number of students were influenced to become absolutely hostile to the free-enterprise system. Undoubtedly a whole generation of opinion-mak-

ers were conditioned by these texts.

A nation like the United States which has been nurtured over the years on attacks against the entrepreneur, varying from the scholarly works of Thorstein Veblen to popular books and articles typified by such works as *The Robber Barons* by Matthew Josephson, *The Rich and the Super-Rich* and *The Sixty Families* by Ferdinand Lundberg — such a nation is naturally influenced against the entrepreneur.

Within the past few years there has appeared a book unsympathetic and even hostile to the market economy which has had an important influence on teachers, editors, and other molders of public opinion. This is John Galbraith's *The Industrial State*. Here he strikes directly at big business and the idea of consumer sovereignty.

Schumpeter's Contribution

No discussion of the Intellectual and the Entrepreneur can be considered complete without referring to the brilliant analysis of Joseph A. Schumpeter in his book *Capitalism, Socialism and Democracy*, published nearly a generation ago. The influence of the intellectual who, Schumpeter says, "wields the power of the spoken and written word," is central to his thesis. We

now clearly see the truth of his statement that "the role of the intellectual group consists primarily in stimulating, energizing, verbalizing and organizing this [anticapitalist] material." Furthermore, "they staff political bureaus, write party pamphlets and speeches, act as secretaries and advisers, make the individual politician's newspaper reputation," and so forth. The point is, according to Schumpeter, that "unlike any other type of society, capitalism inevitably and by virtue of the very logic of its civilization, creates, educates, and subsidizes a vested interest in social unrest. This social unrest is stirred by the sociology of the intellectuals."

It must be noted that not all textbooks and all teaching in American colleges is interventionist or collectivist. In recent years, it is heartening to note, many free-market advocates have established small enclaves in various institutions of learning, and in some cases have written textbooks for college courses. While these ideas are undoubtedly becoming more widespread, there is little doubt that the preponderance of teaching and writing by intellectuals of the United States leans heavily toward intervention and restrictions of the entrepreneur.

It is interesting and perhaps

hopeful to note that interventionists and left-wing intellectuals do not have, and never have had, mass support in the United States for a broad-scale political attack upon free enterprise. The intellectual left can nibble away at the profit system, but it does not seem able to form a political base for a frontal attack. Furthermore, the incentive system is so powerful that it has been able to absorb the harassments and attacks made upon it while still maintaining its strength to build a large capital base and to provide the most productive industrial society in the world.

The Man in the Street as Entrepreneur

It must not be assumed that the average citizen is antagonistic to all entrepreneurial effort and free enterprise. In fact, in a general way he approves it, and by his actions indicates that he would like to become an important entrepreneur himself. Evidence of this is at hand in the *investment activities* of the typical citizen—how he handles the cash savings which he has accumulated.

Today there are at least 25 million individual owners of equities in the United States. This is approximately 12 per cent of the entire population and about 25 per cent of the adult population. But to this substantial number must

be added the millions who invest through mutual funds. The volume of mutual fund investment has grown to over \$48 billion — having recorded an accumulation of more than \$7 billion in the year 1969. Of course there are duplications among individual investors and mutual fund investors, but taken all in all, the growth of investment by the typical citizen has been phenomenal in the past five or ten years.

Inflation — and the Image of the Entrepreneur

Although the man in the street would assert that he is quite favorable to the general idea of free enterprise and encouragement to profit making, his tolerance for adverse economic conditions is quite low. Whenever conditions become difficult and he feels frustrated with shrinking income and rising costs, his tendency is to opt for government intervention in the economic process. This invariably occurs during a period of substantial monetary inflation, such as we have had in the past few years. Economists, of course, are familiar with the time lag that takes place between changes in monetary policy and changes in the rate of inflationary price increases. But the average citizen does not understand this, and he becomes restless under the pound-

ing he takes during an inflation. Then he demands government intervention at any cost. Under such conditions successful operations of the entrepreneur are impeded.

But it must not be imagined that only consumers run to Washington during periods of inflation. Heads of leading corporations also engage in an unseemly rush to Washington to apply pressure for price and wage controls. Inflation is dangerous for many reasons, especially because it tends to create pressure for government intervention and wage-price control. To encourage a favorable climate for the entrepreneurial effort it is essential to control inflation.

Labor Unions and the Entrepreneur

A discussion of the entrepreneur in the United States should not be concluded without some mention of the effects of labor unions on entrepreneurial activities. Beyond question the rigidity of unions' rules and practices, the restrictions upon entrepreneurial decisions, are an important deterrent. Human nature being what it is, some people are able to operate efficiently despite all the obstructions in their way. It certainly cannot be asserted that unionization and monopoly practices by unions have operated to prevent capital accumulation in the United

States. The record since 1936, when powerful unions were given monopoly privileges under the law, tends to confirm the fact that entrepreneurs have been able to demonstrate their dynamism and to create a fabulously productive society despite all obstacles.

But conversely, there is little question that the present laws and the practices of unions are a decided drag on entrepreneurial activity.

Also it should be pointed out that powerful unions have the ability to demand and get uneconomic wage increases which act as a force for encouraging monetary inflation by the administration in power.

If labor demands and gets increases of, say, 8 to 10 per cent per annum, and if the Administration holds to a policy of a very limited increase in the money supply, the result would be increased unemployment unless wage increases are offset by productivity increases, which is highly improbable.

Thus, the effect of labor union power is to create a condition which could lead — and generally does — to a new cycle of inflation. Since Washington is sensitive to fears of recession, the tendency is to validate excessive wage increases by excessively increasing the money supply. The old inflation

is barely curbed before a new one starts. So the nation goes from one inflationary plateau to another, due to the inexorable pressure of monopoly labor unions.

Conclusion

The image of the entrepreneur in the mind of the American public corresponds only vaguely to the function of the entrepreneur as defined by economists. The public believes that the entrepreneur is an innovator or promoter of something new, and generally is a small business. The fact is that big business and small, innovators and traditional businesses, all are entrepreneurs because they are seeking to make a profit. The basic question, then, is: What does the American public think of profits and profit-making?

I have outlined briefly some of the hard evidence on which we might base a valid conclusion — public opinion polls, the Acts of Congress supported by the public, the climate of opinion among those who teach in the colleges and those who write for the general public, investment attitudes of the public, and so on. Substantially, this evidence indicates that the man in the street has a rather ambivalent attitude toward the entrepreneur and the vital importance of capital accumulation.

On the negative side is the

growth of restrictions on entrepreneurial activity. A major influence along these lines has been the teaching and writing of left-wing intellectuals who favor intervention. Inflation also gives a tremendous impetus to restrictive measures. Curbing inflation is essential to perpetuate a healthy free-market system.

On the more hopeful side is the fact that the intellectual left does not have, and never has had, mass support in the United States for a broad-scale political attack on free enterprise. Also, the investment activities of more than 25 million citizens indicate their desire to participate in entrepreneurial activity.

While the progress of interventionist measures may give a feeling of hopelessness at times, it must be realized that the profit system is so powerful that it has, nevertheless, accomplished miracles of capital accumulation and production. It bears the heavy burden of interventionism remarkably well.

Finally, it must be noted, there is a heartening increase of activity by free-market advocates in the academy and in journalism and in politics.

There are fashions in political and economic thinking; and the fashion of the past generation may be altered through education of the American public. 

In Retrospect

THE ENTREPRENEURS are neither perfect nor good in any metaphysical sense. They owe their position exclusively to the fact that they are better fit for the performance of the functions incumbent upon them than other people are. They earn profit not because they are clever in performing their tasks, but because they are more clever or less clumsy than other people are. They are not infallible and often blunder. But they are less liable to error and blunder less than other people do. Nobody has the right to take offense at the errors made by the entrepreneurs in the conduct of affairs and to stress the point that people would have been better supplied if the entrepreneurs had been more skillful and prescient. If the grumbler knew better, why did he not himself fill the gap and seize the opportunity to earn profits? It is easy indeed to display foresight after the event. In retrospect all fools become wise.



For MORAL GROWTH



TIBOR R. MACHAN

THE PHILOSOPHY of freedom has not always fared so well as has the practice of freedom. For instance, the American economic system, flowering under conditions of comparative freedom, has yielded a virtual miracle of goods and services, whereas the political philosophy of liberty — the system's moral framework — has fallen out of favor with Americans. And today's enemies of liberty look at the moral climate and propose that we blame it on America's economic success. They say that the free enterprise system — essentially the voluntary cooperation of individuals in their economic activities — did not and does not work. They attempt to prove this on the grounds that

economic efficiency is not served by freedom of production and exchange; but what they are really complaining about is that the free market has not done what it was never designed to do: it has not made everyone morally perfect.

The problem here is a failure to recognize the difference between political and personal behavior. The former has to do with how people should live together in peace, while the latter concerns one's conduct of his own life. An effective political system may be approximated without the guarantee that citizens of the system will all be good individuals. It is precisely so as to secure the possibility for the highest degree of moral development on each person's part that people must be free from each other's aggression.

It is man's personal freedom, his capacity for choice, that forms the philosophical base of the political system we call the free society. If men were not free in this basic sense, they could not help doing what they do; and to expect them to refrain from interfering with each other's lives would be irrational. And so would be the desire for a free society.

A free political society would require some means of protection against those who would trespass upon or attack the lives and properties of peaceful persons. This

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conviction has been the impetus behind people's support for some kind of political system, that is, for the institution of government.

What the enemies of freedom have never understood is that there simply is no political means by which to make people good. A free society does, however, stop those who try to lord it over others. If a culture is morally defective, there is nothing that politically free men can do to induce morality except to educate as energetically and effectively as their talents and devotion to virtue permit. It is a mistake to blame free men for not attempting to make others better through political means: a person who respects freedom cannot aspire to become a philosopher king without contradicting himself; it is illogical to preach that no man should rule others and at the same time attempt to bring about this condition of freedom and virtue by force!

When individuals fail to measure up in moral qualities as is true of many in America today, this means they are acting without questioning what is right or wrong. The idea that individuals can aspire to moral virtue has been down-graded; instead, the collective, the group, the society has been given the responsibility of building the good life. Individual-

ism always has been central to the American economic system, but in matters of personal morality the individual was not widely recognized to have great significance and responsibility. Instead, the community, the church, the body politic assumed the role of moral leadership.

Today, when it is obvious to most that morality cannot be politicized and that something is drastically wrong, people are rejecting even the possibility of being good. Many college and university students express the view that right and wrong cannot be known; we are capable only of mindless action. Not only students and young people but members of the older generation are generally pessimistic about the possibility of building a better life for themselves and a better society.

Overt enemies of the free society often capitalize on this cultural moral vacuum by attributing it to the relative freedom most people enjoyed in the early days of America and other Western societies which were influenced by the English classical liberal tradition (of Adam Smith, David Hume, John Stuart Mill). By pointing to some of the real and alleged personal failings of people who have been part of the American culture, they would have us believe that there is a necessary

connection between political freedom and personal misconduct.

There is, of course, a necessary connection between freedom and the possibility of evil, just as there is such a connection between freedom and the possibility of good. But what is important is that both good and evil are matters of personal conduct. No one can make another person good or evil. Harming someone who is good will not make him evil, nor will helping an evil person make him good, in the final analysis. Praise and blame, reward and punishment, are all responses to good and evil, but they are not primary causes.

Those who contend that the free society is bad for people, because people who have been free did not always behave well, are mistaken. It is, in fact, only in a free society that the wrongheadedness, the personal mischievousness of some people, does not necessarily have a harmful effect on all. In socialism, where everyone has a hand in the life of everyone else, the evil that men do must live after them — and beside them, and around them, and on and on. The mismanagement of some collectivist government project burdens us all. Nor is it possible to uncover those who are responsible for the mismanagement. The abandonment of self-responsibility in favor of collective action invariably spreads

the lack of responsibility throughout society.

Today, in a climate of fear and moral uncertainty, unscrupulous persons make all sorts of attempts to gain political power over people. Their arguing that the free society and the corresponding free market produce human evil must be challenged. A free society may not produce everything that everyone would like; but free men have the option to pursue their own goals and aims. When there is no freedom, a person cannot even aspire toward satisfying his aims privately. When one's life is controlled by political masters and things are going badly, there is little personal incentive toward improvement, and understandably so. But in freedom, one man's efforts suffice to make his own life, at least, more productive or otherwise worth while. And this may encourage others to do likewise.

To try to improve the quality of life in a given society by centralizing it under political leadership is futile. Such efforts simply diffuse responsibility and reduce the likelihood of moral improvement. Needed, instead, is a concentrated effort to restore to people both their rights and their responsibilities. Those who value human life and look for it to be lived well should encourage progress toward a free society. 

CLARENCE B. CARSON

Throttling the Railroads

6

**In the Grip
of Government
1920-1958**

IF SOMEONE had set out with malice aforethought to destroy the effectiveness of the American railroads, he could hardly have devised better ways than those employed by the Federal government for much of the twentieth century—short of hiring wrecking crews to take up the track and dynamiters to blow up the rolling stock. Before World War I, the government subjected the railroads to increasingly debilitating restrictions: by trying to use force to make them compete, not permitting them to compete in many of the usual ways, making it difficult for them to cooperate

and coordinate their activities, freezing the systems into their earlier patterns, prohibiting them to follow certain practices by which they could profit and serve consumers, prescribing uneconomic practices, driving investors away and, perhaps unintentionally, promoting the dissipation of working capital.

Having so circumscribed the railroads as to make it virtually impossible for them to adjust to new demands and changing conditions, the government took over and ran them during World War I. The railroads were technically returned to their owners after the war, but this was done in such a way that the death grip upon them was retained if not actually tightened. While the railroads

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were bound hand and foot, as it were, government subsidized and promoted alternative means of transport and facilitated the unionization of their employees against them.

Indeed, if railroad managements had been dangerous criminals with lengthy records of dastardly acts, they could hardly have been more carefully watched and had their activities more extensively limited and restrained. In fact, railroad men were treated as second class businessmen, as charlatans ready at every moment to cheat investors, as extortionists ready to take unfair advantage of customers, as conspirators eager to beset the public, and as brigands on the march to destroy American transport. From another angle, railroaders were treated as if they were truant children whose every activity must henceforth be minutely supervised and whose dealings must be subjected to the most searching scrutiny. In short, men who undertook to operate railroads were, in that capacity, virtual prisoners of their own government.

However, it would be an error to suppose that those directly connected with the operation of the railroads were the primary victims of these government policies. Railroad executives have no doubt generally enjoyed compen-

sation and prestige similar to their counterparts in other industries. Supervisory personnel must have had good salaries over the years. Employees of railroads have usually received relatively high wages. Even stockholders have frequently received dividends and bondholders been paid off. The primary victims of government intervention in the operations of the railroads have been consumers — all of us — who have been denied the best goods at the lowest prices and passenger service of high quality at low prices which they might have otherwise had. It is probably impossible for governments to follow policies that will induce businessmen to serve without compensation, but it is easy to devise policies which result in losses to consumers. This has been the result of the government's regulation of the railroads.

The Socialist Attack

Back of these policies was socialist doctrine, as was indicated in an earlier chapter, however revised and watered down that doctrine might be when it reached the popular mind. More than anyone else, it was socialists who conceived of businessmen as villains preying on the public for private gain. To them, private enterprise was irredeemably flawed by the selfish quest for gain. The rail-

roads received the full brunt of the earliest socialist assault against private enterprise in America. It does not follow, of course, that all who favored regulating the railroads were socialists. Much of the animus for regulation can be accounted for by special interests wishing to use the railroads for their particular advantage. But socialism provided the ideological ammunition — the animosity toward private business, the notion that service should be divorced from profit, and the statist assumptions held by regulators — and the protective coloration for these special interests.

More important, socialism provided a direction and a goal for regulation. The ultimate professed goal of socialists was government control of the railroads and their use for the benefit of the people. Two means to this end have been set forth. One is the government ownership and operation of the railroads. This is the way of what are now sometimes called *doctrinaire* socialists. The other way is more subtle and indirect; it involves government control without ownership and entails a variety of means. This is the way of *pragmatic* socialists. They do not ordinarily refer to themselves as socialists at all in the United States; they prefer to be known as pragmatists, liberals, or some

such euphemism. But from the direction of their thrust it can be determined that they are socialists, regardless of the name by which they are known.

Pressure Toward Government Ownership and Operation

Up to and through World War I the pressure of socialists was toward government ownership and operation of the railroads. This was true of several third parties which did not identify themselves as socialists as well as the various avowedly socialist parties. Herbert Croly, a "progressive" socialist, indicated how the goal might be achieved in what he wrote a few years before World War I:

In the existing condition of economic development and of public opinion, the man who believes in the ultimate necessity of government ownership of railroad road-beds and terminals must be content to wait and to watch. The most that he can do for the present is to use any opening which the course of railroad development affords, for the assertion of his ideas; and if he is right, he will gradually be able to work out, in relation to the economic situation of the railroads, some practical method of realizing the ultimate purpose.¹

¹ Herbert Croly, *The Promise of American Life*, Cushing Strout, intro. (New York: Capricorn Books, 1964), p. 377.

Regulation set the stage for a government takeover by making it increasingly difficult for the railroads to do their job effectively. World War I provided the crisis which was used as the occasion for government operation of the roads. A major propaganda effort was made during and immediately after World War I to make the takeover complete and permanent. This campaign did not succeed; it was thwarted by a Congress determined to return the railroads to their owners.

It turned out, however, that only doctrinaire socialism was rejected. American reformism had taken its own peculiar form. Instead of going from operating them to government ownership of the railroads, the government abandoned both of these and turned to full-fledged control. It was sufficient for the day that government have power, authority, and control over the railroads. Progressivism had prepared the way for this direction to be taken. Politically, such a direction is clearly superior to ownership and operation. When government owns and operates, bureaucrats must take on onerous duties and responsibilities; they must provide the services and get the money for operation. Control without ownership provides the bureaucrat with power over but little, if

any, responsibility for rendering services. At any rate, this is what was established for the Interstate Commerce Commission in the 1920's.

Regulated Out of Service

It was about as clear as such things can be that when World War I came the government restrictions made it virtually impossible for the railroads to provide the desired services. A railroad historian has recently observed that the "poor condition of the rail lines in 1917 was no doubt partly the result of earlier excessive or mistaken regulation. . . ."² Even the Interstate Commerce Commission's recommendations at the time indicated an awareness of the debilitating impact of the restrictions. The Commission recommended that the government either take over and operate the railroads "or that all legal obstacles to the complete unification of the railways for that period be removed. . . ."³

Once in power over them, the government reversed its former policies toward the railroads. What was sauce for the private enterprise goose definitely was not

² John F. Stover, *The Life and Decline of the American Railroad* (New York: Oxford University Press, 1970), p. 175.

³ Sidney L. Miller, *Inland Transportation* (New York: McGraw-Hill, 1933), p. 156.

sauce for the government gander. William G. McAdoo, who was placed in charge of the railroads, proceeded to do all sorts of things that had been either prohibited or beyond the power of rail executives. Rail service was speedily coordinated; the railroads were treated as if they were a single system. Freight was routed the shortest way. The government discriminated vigorously among shippers, giving war goods preference. Passenger service for the general public was greatly curtailed. The railroads had for several years been denied any significant rate increase. "Under the Federal Control Act it was unnecessary to secure the approval of either state or federal regulatory bodies for changes in rates. . . ." New rates could simply be proclaimed: thus, "the Administration announced, on May 25, 1918, a 25 per cent increase in freight rates effective a month later. . . ."⁴ Of course, the government was free also of antitrust restrictions and could and did treat the railroads as a giant trust.

Even so, the railroads were in bad shape when they were returned to their owners in 1920. McAdoo and his successor had seen fit to accumulate a huge deficit rather than raise rates sufficiently to

cover costs. "The official report of the Railroad Administration admitted that the total operating expenses (plus rentals paid to the individual railroad companies) exceeded total revenues for the twenty-six months of federal operation . . . by just over \$900,000,000."⁵ And this figure does not include more than \$200 million later paid to the railroads for undermaintenance during the war. This latter figure, however, amounted to only about one-third of what the railroads claimed they were due for undermaintenance. The railroad owners were stuck with an inheritance of high wages to employees, excess equipment constructed for wartime purposes, and roads that had generally been run down.

The Transportation Act of 1920

Had the management of the railroads been left free to operate them as they saw fit, they might have been able to revive the roads. They were not. Instead, they were much more completely shackled than ever by the Transportation Act of 1920. This act should be considered the crowning piece and culmination of Progressive legislation. The agitation of the Progressives produced antitrust activity, a spate of legislation, several constitutional amendments,

⁴ *Ibid.*, p. 163.

⁵ Stover, *op. cit.*, p. 173.

and heady intervention in foreign affairs. By the end of World War I, or before, it appeared to have lost its impetus. Americans were weary of reform and were registering their feelings at the polls. Even so, one more piece of Progressive legislation was pushed through, one which was typical of what Theodore Roosevelt had advocated as the Bull Moose candidate in 1912 — that the government leave property ownership in private hands but subject the great industries to stiff regulation. Of course, Roosevelt supposed that the railroads were already so regulated, but the principle which he would have applied to all industry was carried to its logical conclusion in the Esch-Cummins Transportation Act.

Much early policy was reversed. The Interstate Commerce Act had prohibited pooling. The Transportation Act of 1920 authorized the Interstate Commerce Commission to approve pools if it could be shown that they were in the public interest. Antitrust legislation had been aimed at one corporation indirectly controlling others. The new act authorized the Commission, "upon application by any carrier or carriers and after hearing, to approve 'the acquisition . . . by one of such carriers of the control of any other such carrier or carriers, either under a lease or

by the purchase of stock or in any other manner not involving the consolidation of such carriers into a single system for ownership and operation,' upon such a basis as may be found by that body to be just and reasonable."⁶

Planned Consolidation

The Act charged the Commission with the task of preparing and adopting "a plan for the consolidation of the railway properties of the continental United States into a limited number of systems. In the division of such railways into such systems under such plan, competition shall be preserved as fully as possible and wherever practicable the existing routes and channels of trade and commerce shall be maintained. . . ." To make it possible for this to be accomplished, the act permitted the Commission to authorize consolidations of railroads into single corporations according to the master plan.⁷ Actually, the Commission have never put any such plan into effect. They are waiting, no doubt, until mathematicians square the circle before undertaking so forbidding a task as this.

No longer was it legal for anyone to build or extend a railroad at will. The act required that a

⁶ Miller, *op. cit.*, p. 175.

⁷ All such authorized actions were specifically exempted from antitrust suits.

prospective builder must first have a "certificate of convenience and necessity" from the Commission before beginning construction. Moreover, the law provides that "no carrier . . . shall abandon all or any portion of a line of railroad or the operation thereof unless and until there shall first have been obtained from the Commission a certificate that the present or future public convenience and necessity permit of such abandonment."

The restrictions on railroad finance were equally restrictive. Following a brief period of grace after the act went into effect, "no securities might be issued legally by any carrier subject to regulation except upon Commission approval."⁸ The act lays down the general principles upon which such approval may be granted. It notes that Commission approval does not in any way imply that the United States government guarantees such securities. The only securities a railroad might issue without Commission approval would be notes maturing within two years and even such borrowing was restricted to 5 per cent of the par value of outstanding securities.

Rate Control

The most amazing provisions of the Transportation Act of 1920,

however, were probably those having to do with rates. The Commission was authorized to fix rates for roads under its authority according to how it grouped them from time to time. The rates were to be fixed so as to assure a fair return upon investment if the railroad were efficiently run. Initially, Congress declared that a fair return in most instances would be 5½ per cent annually of the aggregate value of railway properties. Any railroad that earned more than 6 per cent on the aggregate value of its properties in a given year was to have one-half of the excess placed in a reserve fund for its own future use and the other one-half to be turned over to the Commission to place in a general contingency fund to aid ailing railroads. What was involved was a most complex limitation on earnings and a redistribution plan.

There were several other rate provisions of the act. The Interstate Commerce Commission was granted virtual pre-emptive authority over rates so far as state regulatory bodies were concerned. If it found that state regulations occasioned any prejudice or inconvenience to interstate commerce it could negate them. For the first time, also, the Commission was empowered to prescribe minimum as well as maximum rates. It could also prescribe the division of joint

⁸ Miller, *op. cit.*, p. 177.

rates between or among two or more carriers if it found the prevailing division to be unjust. The long and short haul clause was altered so as to further limit the exemptions the Commission could grant from its provisions.

Routing and Service

The Commission was granted extensive powers over routing and service. A carrier found "improperly" diverting traffic from another line would be liable to the extent of paying the whole amount gained to the "injured" railroad. The Commission was authorized to divert traffic to other lines if, in its opinion, a road was unable to provide a service. Moreover, the Commission was empowered to determine what routes interchanged traffic should take. Should car shortages develop, the Commission could direct their disposition so as to relieve the difficulty without regard to the desires of the owners. The law provided that it should be the duty of every carrier "to furnish safe and adequate car service and to establish, observe, and enforce just and reasonable rules, regulations, and practices with respect to car service." Nor was the Commission to be particularly concerned about private ownership of terminals and surrounding trackage. If the Commission should find that it

would be in the "public interest," "it shall have the power to require the joint or common use of terminals, including mainline track or tracks for a reasonable distance outside of those terminals. . . ."⁹ The owners were to be paid something for such usage, of course.

Certain of these provisions have been altered over the years. The Emergency Railroad Transportation Act of 1933 attempted once again to effect consolidations of lines into larger and more stable systems. The attempt to prescribe earnings precisely had already been more or less abandoned. The Transportation Act of 1940 placed restrictions on competitive modes of transportation. But the government grip upon the railroads by way of the Interstate Commerce Commission has generally remained. That hold was authorized and established by the Transportation Act of 1920, and its provisions amply illustrate the extent of the grasp.

A state of organized irresponsibility was established by this legislation. The power to make managerial decisions of wide and determining scope was vested in the Interstate Commerce Commission. The responsibility for operating the railroads remained with private management. But that management was denied the authority

⁹ *Ibid.*, p. 182.

to make on its own all sorts of decisions by which entrepreneurs ordinarily operate businesses efficiently and successfully. Rail executives could not, and cannot, buy, sell, build, abandon, or dispose of their facilities without Commission approval. They could not sell stock to raise new funds nor consolidate with other lines without the authorization of the ruling government body. In most of the usual ways, railroad managers could not compete with rail or other modes of transportation, could not compete in price, in supplying of certain kinds of service, or even, if the Commission so ruled, in the exclusive use of better located facilities.

No Room to Operate

Critics of railroad management have long claimed that those running the roads were cautious, unimaginative, disinclined to innovate, and lacking in vision. In view of the limitations under which they operate it would hardly be surprising if the charges were, in substance, true. Any new service innovation could be quite expensive to the railroad. It might not pay off, yet the road might be stuck with providing it indefinitely because the Commission decided that the "public interest" required it.

The crucial factor in explaining

the "unimaginativeness" of rail management, however, is the tying of rate structures to earnings. When this is combined with government engendered inflation — that is, increase of the money supply — as it usually has been since 1920, it is easy to understand why managements have been reluctant to make daring innovations. Increases in money supply mean that prices in general must rise to offset the increase. Yet railroads have to observe a time lag before they can raise their prices, if it turns out that they are permitted to do so. To get the raise, they need to demonstrate that their earnings are insufficient under the present rate structure. The effect of this is that railroads can rarely expect to turn a good profit by extending services, but they can lose a great deal. In short, railroads cannot — under inflationary conditions — make much of a profit; they can, however, have horrendous losses.

Actually, however, rail executives have often been quite imaginative. They have even made interesting service and equipment innovations from time to time, but that is not what I want to point out here. Much of the managerial imagination has not been expended in finding ways to improve and expand service, as it normally would be. It has, instead, been de-

voted to finding ways for a railroad to survive and make a modest profit under the crushing burden of restrictions, to finding ways to circumvent the thrust of regulation, and to finding arguments and evidence to convince the Commission to permit some course of action.

Holding Against Disaster

Railroad men have fought a fifty-year-long holding action against disaster. Denied most of the avenues by which they might advance, they have husbanded their resources by strategic retreats. They have developed ingenious arguments supported by voluminous arbitrarily construed statistics for reducing services—for dropping passenger trains, for cutting off dining cars, for closing depots, for not installing warning systems, and so on. They have become, in effect, *unbusinessmen*, for rather than seeking to expand services, they have sought to reduce them; rather than increasing traffic, they have sometimes sought to reduce it; rather than reduce prices to increase the number of customers, they have often sought to raise prices and have thereby reduced customers and revenue.

These unbusinesslike actions make sense only in the framework of restrictions that has been

erected. The reversal of priorities from expanding services through innovation to reducing services can be explained, and the explanation will show that it was about as good business as could be done. Denied much expectation of profits by new exertions, railroad men turned to making what profits they could by as little effort as possible. They sought to keep only that business which was most profitable, involved the least risky outlay of funds, and entailed the least amount of effort to acquire and service. They sought to use the rails where they were most clearly superior to other modes of transportation and to avoid competition where superiority was less certain.

Under such policies, the railroads ceased to be a growth industry. Indeed, they appear to be an industry dying of a lingering illness. One after another they have abandoned or had taken from them services that they once performed: the carrying of mails, the hauling of most packaged freight, much of the passenger service, and so on. Each time a railroad lops off or reduces service to an area it is apt to reduce the number of customers for even its profitable traffic. For example, when passenger service to a small community is discontinued, it reduces the likelihood that people travel-

ing at however great distances will go by train when either their point of departure or destination is that city. Cut off enough such service and even long distance trains between great cities will not have enough passengers to warrant the provision of the service. The same principle will generally hold regarding any such service, and the railroad policies have undoubtedly produced the appearance of a dying industry. These policies, in turn, have been the result of desperate measures taken by railroad

men caught in a stranglehold by the Interstate Commerce Commission.

Had this been all, the railroads might still have held their own. But there was more. They were faced by increasing competition from other modes of transportation. And while they were being circumscribed by onerous restrictions, governments were frequently aiding and abetting their competitors. That part of the story needs also to be told. 

Next: The Grip of Privileged Competitors

FREEDOM AND DEMOCRACY

EARL ZARBIN

A COWORKER, assigned to write a newspaper story about Independence Day talks in Arizona, opened with this sentence:

"Lawmakers and political figures beckoned back to the first Fourth of July in talks throughout the state yesterday with the message that democracy is hard to come by and even harder to maintain."

Mr. Zarbin is a newspaper man in Arizona.

This linkage of the word "democracy" with the Declaration of Independence surprised me. When I asked if the word "freedom" might not be more correct, he replied: "I didn't think about it that much when I wrote it."

Precisely. Seldom do we think about it. Woodrow Wilson said, "The world must be made safe for democracy." Would it have made

any difference if he had used "freedom" instead of "democracy"? Perhaps not, but it is delusion either to suggest or to believe that the words are alike in meaning or significance.

Freedom is "the absence of necessity, coercion, or constraint in choice or action; liberation from slavery or restraint or from the power of another." Democracy is "government by the people; especially rule of the majority; a government in which the supreme power is vested in the people and exercised by them directly or indirectly through a system of representation usually involving periodically held free elections."

In no way can the words "freedom" and "democracy" be substituted without confusion. That they are frequently used for one another is understandable. Democracy, not freedom, is repeatedly held up to us as representative of the ideal. If we have democracy,

we are presumed to have freedom, according to much of the oratory.

But we can — and do in fact — have denials of freedom brought about by democratic or majority rule. Prohibitions against peaceful citizens entering peaceful occupations and pursuits abound. For instance, no one can open up new land to cotton without an allotment; no one can start a radio or television broadcasting station without approval. Instead of relying upon market determination of approval or allotment for every honest enterprise, all too often permission from government must first be won. And there are countless examples of how such economic freedom has been denied under democracy.

Freedom is one thing, democracy another. They may be related in some ways. But the concepts are not interchangeable, nor should the nature and purpose of the two be confused. ☉

Loyalty

IF YOU WORK for a man, in Heaven's name work for him; and stand by the institution he represents. Remember — An ounce of loyalty is worth a pound of cleverness. If you must growl, condemn, and eternally find fault, why — resign your position and when you are on the outside, damn to your heart's content — but as long as you are a part of the institution, do not condemn it. If you do, the first high wind that comes along will blow you away and probably you will never know why.

IDEAS ON



LIBERTY

CARTE BLANCHE FOR CHAOS

LILLIAN R. BOEHME, the editor of a monthly magazine called *The Libertarian*, likes to write with a double focus. It is a difficult trick, but she pulls it off in a searching, closely argued book called *Carte Blanche for Chaos—a Critical Look at the Kerner Report* (Arlington House, \$7.00).

On one level this is a "news" book. It goes rather exhaustively into the findings and recommendations of the National Advisory Commission on Civil Disorders that tried to get to the bottom of the urban rioting and arson that began in the Watts area of Los Angeles and spread throughout the land for several of those "long, hot summers." But behind the critique of the news there is another and far more positive book of a kind that would have appealed to the late Isabel Paterson or the late Rose Wilder Lane. Mrs. Boehme is not only concerned with exposing the statist bias of the members of the Kerner Com-

mission, she is also concerned with enunciating the principles of what Leonard Read calls "the freedom philosophy." The Kerner Commission's performance is the occasion for Mrs. Boehme's work, but she could have done just as well if she had picked any one of a number of recent "official" investigations such as the Scranton committee's probing into the causes of campus violence. With Mrs. Boehme it is the application of her own ideas that counts.

Briefly, Mrs. Boehme has it in for the Kerner Commission for being part of the disease which it was supposed to anatomize and to cure. The men of the Commission blamed the urban riots on "racism." The theme, as stated, is that the "needs" of the rioters and arsonists, mostly black because of the geographical focus of the Report, constitute a set of "rights," and the fact that the "needs" had not been satisfied over the centuries was enough to

justify or at least to excuse all manner of violence. "Society" is the guilty party according to this way of thinking. The victims of the rioters, so the Kerner philosophy assumes, are necessarily to blame for their own injuries, despoliation, and deaths. For they had done nothing to meet the "needs" of their tormentors and murderers.

This, of course, is a jungle philosophy. It makes hunger an excuse for taking the property of the person next door. It does not recognize the individual nature of "rights," which must be considered anterior to the institution of government if we are not to confuse them with permissions or gifts or dispensations or privileges.

With their peculiar view of the nature of "rights" it is scant cause for wonder that the men of the Kerner Commission forgot to look at the victims of the rioters. Mrs. Boehme says that "people whose homes had gone up in flames, small shopkeepers whose stock vanished in the arms of looters, were not heard.... The 'antagonistic views' of the victims of violence were deemed irrelevant to the Commission's quest."

Mrs. Boehme does not deny that life, in a slum, can be hard. But it does not follow that just because the "nonproductive" are

poor, the productive are guilty of "depriving" them. The only way in which the poor can be upgraded is to let the producers go to work producing more, for without an expansion of the economy there can be no jobs for the "needy" who have not succeeded in finding berths within the productive system. Even the taxes that go for "relief" in the slums are dependent on prosperity outside the slums.

In a devastating summary Mrs. Boehme says the Kerner Report claims to defend human rights by obliterating the very concept of rights. The Report treats "needs" as rights to what other men produce. It deplores violence—and proposes to institutionalize it by laws that justify the forcible redistribution of other people's property. It preaches against racism, but it judges all individuals in racist terms (it is "they," the Kerner Commission members, "who cannot see or write of a man without referring to his color.") The Commission speaks of justice, yet it proposes that the victims of the rioters be forced to pay for swimming pools, rat poison, schools, and even garbage pails for those who have burned the shops and stolen liquor and TV sets. Praise for "law" may be found in the Report, but it goes on to make out a case for the thief

who shoots a policeman in "self-defense." The Report is all for "freedom" of thought—but it offers sneaky justifications for shaming the press into self-censorship, and it advances proposals for state manipulation of the thoughts and actions of men. Finally, the Report is anticapitalistic. It makes "incompetence the coin of the realm." It proposes that the plight of the unemployed be alleviated by passing more "laws to make employing them uneconomic." It sets up the "have-nots" as the judges of the "haves," which means that investment capital can be seized before it has made a single new machine or built a new factory. It praises "free enterprise," but recommends "a fascist system of nominal private ownership castrated by statist controls."

The Underlying Philosophy

If I have any criticism of Mrs. Boehme's book it is that she doesn't tell us enough about the statist philosophers of the nineteen thirties who created the modern slums, miscalled ghettos, in the first place. The reason why the blacks took up a forced march into Harlem and Watts, into Brooklyn's Bedford-Stuyvesant and Detroit and the Chicago South Side, is that the New Deal attempt to cure the woes of American agri-

culture by subsidies to the richer farmers ended by "tractoring the field hands off the land." The money the cotton planters got for limiting their productive acreage went into high-priced mechanization at a much faster pace than would have occurred naturally if "market" principles had been permitted to operate. What would have been an orderly transition, with factories moving into the South to employ stay-at-home labor displaced from the farms, became a rout. The blacks, faced with the necessity of finding new places to live, moved into northern city areas that were already being deserted by whites who could afford to take up new homes in suburbia. New Deal statism was at the bottom of the congestion that occurred over the years.

Since statist ideas are responsible for the overcrowding in places like Watts, I am more inclined than Mrs. Boehme to be lenient with the businessmen who have tried to do something about training and employing the so-called "hard core." Mrs. Boehme criticizes the Lockheed Corporation's program for putting Watts people to work in the factory it has built in the Watts Industrial Park. And it is true that the practice of setting up "negative" standards (such as being a school dropout or a person with a criminal

record) for employment has its ludicrous aspects. But when the Lockheed company says that "none of these requirements is so difficult as to present a significant obstacle to the normal profit function," shouldn't we be willing to accept the explanation if the stockholders approve? The state itself forced man off the land into the slums, leaving a problem of mopping up to somebody. So why object if businessmen volunteer to do the mopping?

► THE THEORY OF EDUCATION IN THE UNITED STATES by Albert Jay Nock (New York: Arno Press, 1969, 160 pp., \$6.00).

Reviewed by Robert M. Thornton

SOME EXCELLENT books and essays on education have been published during the past twenty years — most notably those by Jacques Barzun, Mortimer Smith, Richard Weaver, Bernard Iddings Bell, George Roche, R. J. Rushdoony, and Christopher Dawson. There were earlier critics and one of the most perceptive was Albert Jay Nock whose *The Theory of Education in the United States* has been republished. This volume is made up of the Page-Barbour Lectures delivered at the University of Virginia in 1931. First published in 1932, it was republished in 1949 and has for a long time been out

of print and very hard to come by.

Much of the criticism directed against modern education, while worth while and true, does not go deep enough. But Nock, the radical thinker, put his finger on the root of the matter: the faulty theory of education which guides most educators in this country. Stated briefly, this theory declares that (1) all persons can be educated; (2) all persons should be educated; and (3) universal education will bring us a much improved society. Part one is, of course, false because not all persons are educable any more than all can run a mile in four minutes or write a best-selling novel. This was recognized at about the turn of the century by the powers that be but instead of discarding a worthless theory, they substituted training for education. Nearly everyone may be trained to do something whether it be driving a truck, performing a surgical operation, or programming a computer. Training has to do with instructing or "putting in" information and is concerned with instrumental knowledge, with vocationalism or how to earn a living. Responsibility falls chiefly on the instructor.

Education, on the other hand, is a drawing out process that has to do with formative knowledge, with how to live. Responsibility, of

course, rests with the student. "Education," wrote Nock, contrasting it with training, "contemplates another kind of product; what is it? One of the main elements in it, I should say, is the power of disinterested reflection. One unmistakable mark of an educated man is his ability to take a detached, impersonal, and competent view of something that deeply engages his affections, one way or the other — something that he likes very much. The study of history has really no other purpose than to help put this mark on a man. If one does not study it with this end in view, there is no use studying it at all."

Training we need, especially in this age of a rapidly expanding technology, because we need practical know-how to provide our economic needs and wants. But we need "useless knowledge," too, because that is what civilizes us. Education, rightly so called, has suffered a terrible decline in our time, because we have operated for several generations on a skewed theory which confuses education with training.

Part two of the theory is unacceptable to those who recognize the error in part one. Those who have not recognized it are responsible for making our school system (outside of private and parochial schools) compulsory both

as to support and attendance, a situation not unpleasing to the collectivists who labor for the creation of an all-powerful state. The problems created by the application of this false theory are serious: rising taxes, crowded classrooms, shortage of qualified teachers, decline in the quality of schools, the trend toward Federal control of local schools, student riots, and lawbreaking.

Part three of the theory of education embodies the idea that "education" can solve all the problems of the world. This is, of course, a delusion even if we were speaking of true education and not training. Even if everyone were educable, universal education would not bring about a utopia. It is not simply a lack of knowledge and wisdom that is responsible for poverty, prejudice, and war; these stem from the very nature of man as a flawed creature. One might even say that training passed off as education is making things worse.

The responsibility for the deplorable state of education today "lies nowhere in the order of our institutions; it runs back to the acceptance of an erroneous theory. All this ludicrous state of things that we have been examining is the inevitable result of trying to translate a bad theory into good practice."

► **THE BRITISH NATIONAL HEALTH SERVICE:** *Bad Medicine, Bad Politics, Bad Economics* by Michael R. Saxon, M.D. (The Saxon Foundation; 143 S. Lincoln Avenue, Aurora, Illinois 60505) 1970, 61 pp., paper, \$1.75.

Reviewed by W. M. Curtiss

THE 22-year-old British National Health Service is pronounced a failure by Dr. Saxon. He says it presently encompasses about 95 to 97 per cent of all the health services in the United Kingdom. "To a sensitive practicing physician alert to the current trends of socializing American medicine, the British system offers much to observe and compare with an ever-expanding government-sponsored health service scheme inaugurated in America in July of 1965 [Medicare]."

Dr. Saxon discusses the familiar shortcomings of the NHS—the high number of patients per doctor (2,500 average); the low income of doctors resulting, in part, in their great exodus from the islands; the inadequate hospital facilities; the suffocating effect on medical research; and, of course, the high cost covered through taxes. General practitioners say they have become second-class doctors.

English socialists have claimed

that their system shows a special compassion in understanding the needs of the poor and the sick. This strikes an exposed nerve in Dr. Saxon who believes that the truth is exactly the reverse. American doctors, practicing in a market economy, can express compassion for their patients; whereas British doctors, in attempting to treat all patients alike, feel little need for compassion and have little time to demonstrate it.

To offer medical care to all on an equal basis and at little direct cost has popular appeal, and plays right into the hands of politicians. Dr. Saxon believes this an important reason why socialized medicine has progressed so far in the United Kingdom. But how many doctors will say, with Dr. Saxon, that: "It can hardly be said that medical care is really a necessity. Food, clothing, and shelter are even more fundamental to human existence than medical care and are supplied satisfactorily through the market place. . . . The constant search for profits as one delivers a needed service to the market, creates a competitive atmosphere wherein the consumer always gets the most for the least. Why then is medical care different?"

Dr. Saxon obviously wants us to learn from the British experience.



the Freeman

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the Freeman

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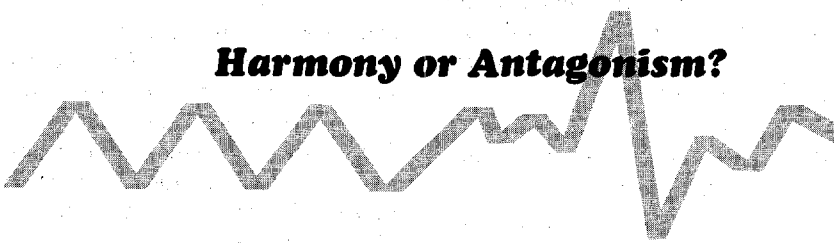
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Harmony or Antagonism?



FREDERIC S. BACON, JR.

IN THIS AGE of the "welfare state" there has been an accelerating drift toward more and greater concentration of social power in the hands of the state, resulting in increasing interference in our daily lives, our personal liberties, and our economic freedoms — all maintained and enforced by the coercive police power of the state. Before we reach that point of no return — beyond which it will be impossible to recapture our God-given rights to life, to liberty, and to the pursuit of happiness, we should pause to consider the question: *Are men's interests, when left to themselves, harmonious or antagonistic?*

About 120 years ago, Frederic Bastiat, a French political economist, answered this question in an essay entitled "To the Youth of

France."¹ Bastiat's analysis is particularly applicable to the turmoil in America today. He argued that all men's impulses, when motivated by legitimate self-interest, fall into a harmonious social pattern, and it is the intervention by the state in attempting to redirect these interests that causes turmoil and dissension.

Bastiat pointed out that if we assume that men's interests are harmonious the obvious solution to our social problems is simply not to try to redirect these interests. If we accept the opposite, that men's interests are inevitably bound to clash — the concept of the "welfare state" — and that the conflict can be averted only through the creation of an artificial social order to be enforced by the police

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¹ Frederic Bastiat, *Economic Harmonies*, Irvington-on-Hudson, New York: The Foundation for Economic Education, Inc. \$3.50 paperback.

power of the state, then mankind is surely in serious trouble, and we must get some solid answers to these questions:

1. Shall we be able to find a workable plan for society and a man to implement it?

2. Will this man be able to win over to the selected plan others who have conceived different programs for society?

3. How will the final form for society be selected, adopted, and implemented?

4. Will men submit to the selected planned society, which, according to our hypothesis, must run counter to every man's interests?

5. Assuming that mankind will consent to being regulated under the selected plan, what will happen if another, obviously better plan, is developed? Should we preserve a bad social order, knowing it to be bad; or are we to change the social order according to the persuasiveness of the inventors of new plans?

6. Will not all others whose plans have been rejected unite against the accepted plan with the better chance of destroying it because, by its very nature, it runs counter to every man's self-interest?

7. Is there any human force capable of overcoming the fundamental antagonism which is as-

sumed to be characteristic of the self-interests of all men?

8. If individual self-interest is antagonistic to the general interest, where would the principle of force be established? It would necessarily be outside of humanity in order to escape the consequences of our premise.

9. If a man or men are entrusted with the arbitrary power necessary to enforce a contrived social order, they must be different from the rest of us; they, unlike us, must not be moved by self-interest; and, when placed in a position where there can be no possible restraint on them or any resistance to them, they must be exempt from error, from greed, and from covetousness.

The Case for Nonintervention

It stands without proof that it is not necessary to force into harmony things that are inherently harmonious. It is also without question that there is a natural harmony among men's interests, and so to solve the social problems confronting us it is simply necessary not to try to redirect them.

The idea of liberty is based on the premise that men's interests, when left to themselves, tend to form harmonious combinations and to work together toward "the good life." If one has faith in the wisdom of the Laws of Providence,

Nature, and God, one must have faith in freedom. Those who would direct and control the actions of men have accepted the Theory of Discord — that men's actions, when left to themselves, are antagonistic. They propose to substitute coercion for freedom, a planned social order for the natural, and a work of their own contrivance for the handiwork of God. The idea of liberty is to let men labor, exchange, learn, band together, act and react on one another; according to the Law of Nature there can result from their free and intelligent activity only order, harmony, progress, and all things that make for "the good life" because there never was, never is, and never will be any disorder in nature.

For the Laws of Nature to be harmonious, it is not necessary that they exclude evil. Evil has its purpose. It is self-limiting. Every pain is a means of preventing greater pain by the elimination of its cause. Every individual is a free agent, and, when man is free, he can choose; since he can choose, he can err; since he can err, he can suffer. He must suffer; for he starts in ignorance, and in his ignorance he sees before him an infinite number of choices. All but one leads to error. All error breeds suffering. This suffering either falls upon the one who has erred,

setting in operation the Law of Responsibility; or else it strikes innocent parties, in which case it sets in motion the Law of Solidarity.

The Essential Freedom to Choose

The action of these laws, combined with the ability of men's minds to see the connection between cause and effect, brings man back, due to his suffering pain, to the path of righteousness and truth. However, if evil is to fulfill its purpose, the Law of Solidarity must not be made to artificially encroach upon the Law of Responsibility; the freedom of the individual to choose must not be restricted. Governments, under the pretext of fostering among men an artificial kind of solidarity, have dulled and made ineffective the individual's sense of responsibility. This lessens the correcting effect of error by spreading the consequent suffering among the innocent.

Through improper use of the coercive police power of government, the relation between labor and wages has been impaired, the operation of the laws of production and exchange has been disturbed, the natural development of education is distorted, capital and manpower are misdirected, minds and actions warped, absurd demands inflamed, wild hopes dan-

gled before men's eyes, unheard of quantities of human energy wasted, centers of population relocated, and even experience itself made ineffective.

In this age of intervention — under the “welfare state” — men's interests have been given artificial foundations. They cannot help but clash. And the thought leaders in the news media, in government, and in the intellectual establishment say: “You see, all men's interests are antagonistic. Personal liberty and economic freedom cause all the trouble. Both must be stifled.”

Nature cares nothing whatever about motive or intention; she cares only for order, and sees only that disorder shall be corrected, and that the regular orderly sequences of actions be upheld. God made men's interests harmonious. Let us follow the Laws of Nature. Let us do away with coercive re-direction of men's actions. Let us

return to the concept, as expressed by Thomas Jefferson in a part of one sentence in the Declaration of Independence, “. . . men are endowed by their Creator with certain unalienable rights. . . .” Men must be allowed to be responsible for their own actions and should not look to government for anything beyond the protection of life and property and the establishment of justice.

For men to have true liberty and economic freedom the government must be limited. Government should do only those things, in defense of life and property, which private citizens cannot properly do each man for himself.

Let all men have personal liberty and economic freedom. That is the Law of Nature. Then and only then will there be peace among men and will mankind achieve “the good life”; for there never was, never is, and never will be any disorder in nature. 

Economic Harmonies

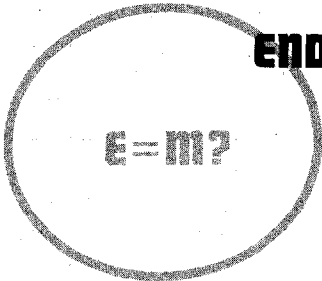
IDEAS ON



LIBERTY

THE SOCIAL WORLD is rich in harmonies that we do not fully perceive until our minds have gone back to their causes, in order to find their explanation, and have then gone forward to their effects, in order to know the ultimate purpose of the phenomena they exhibit. . . .

ENDS AND MEANS



E m?

WILLIAM W. BAYES

THE HONEST SEEKER of truth faces an exceedingly difficult task in penetrating the murky fog of claims and counterclaims made by the zealous advocates of various causes. All men proclaim lofty ends. No man proposes to demonstrate the evils which will follow the adoption of his plan. No association or religious sect that hopes to acquire a large influence and many members sets out to show how affiliation with it will be detrimental to one's interests. Still less are political parties disposed to persuade voters that they intend to bring the nation to ruin if their candidates are elected to public office. Even dictators must convince their people that they are working for the "common good."

The only general agreement among men is that all ends should

be good. Problems arise because men do not universally agree on what is good. The conceptions of good multiply as the view narrows from the general to the particular. Thus men agree that life is good, but they do not agree that life should be preserved in all cases: the lives of an honest man, a convicted murderer, a steer, and a mosquito are not regarded with equal reverence.

Men disagree, also, concerning the means which may be legitimately used to achieve even those ends upon which they completely agree. They generally agree, for instance, that all should have an opportunity to obtain an education; but some believe that the education should be provided by the state (*taxpayers*), while others believe it should be earned and paid for by the recipient.

The noncommunist world gen-

Mr. Bayes recently retired from the U.S. Air Force.

erally subscribes to the belief that the end does not justify the means. (This truism should be stated: The end does not *always* justify the means. I will explain this revision later.) The communists believe that "... the end justifies the means, and that the means can find no other justification than that it serves the end."¹

Marxist Morality

Karl Marx, who is now often pictured in the West as a great-hearted social reformer, originated this immoral code in his communist movement (though not absolutely, of course):

He expelled people from his Communist party for mentioning programmatically such things as "love," "injustice," "humanity," even "morality" itself. "Soulful ravings," "sloppy sentimentality," he called such expressions, and purged astonished authors as though they had committed the most dastardly crimes.²

Marx would be proud of his political heirs, who have not departed from his peculiar path to morality. (It must be remembered that even Marx envisioned what he believed to be a noble end, the

paradisiac classless society.) Other persons, who are not communists but who, as experts on communism, have drunk too often at the Marxist fount, seem to have ingested some unsound ideas:

Nor does the assertion stand up that moral systems, however utopian, do serve as checks against barbarian excesses. Neither Christianity nor humanist ideals succeeded in preventing the bestialities of Auschwitz and Buchenwald. Indeed, . . . it often seems that the existence of moral sentiments or moral convictions permit [*sic*] inhumanities of this sort; they serve as some sort of other-worldliness, which lulls us into the pleasant belief that, somehow, somewhere, the perpetrators will be punished. Thus moral convictions allow us to bear the evil against which, without these, we might rebel.³

Should we, then, aim no higher than at a balance of terror? Mr. Meyer seems to forget that, without "moral sentiments or moral convictions," there can be no conception and identification of evil. Are we no more capable than the animals of discerning good from evil and aiming at the good? Mr. Meyer, like so many others today, seems to have trouble identifying *causes*: the proximate (though not the ultimate) cause of inhumanity

¹ Alfred G. Meyer, *Leninism* (New York: Frederick A. Praeger, Publishers, 1962), p. 87.

² Max Eastman, *Reflections on the Failure of Socialism* (San Diego, Calif.: Viewpoint Books, 1955), p. 85.

³ Alfred G. Meyer, *Marxism: The Unity of Theory and Practice* (Cambridge: Harvard University Press, 1964), p. 148.

ties is men's failure to live up to the standard, not the standard itself. But he cannot really believe that the standard should be discarded, since he soon lapses into writing about the "good life on this earth."⁴ To call something "good" is to refer to a standard. All want to retain the standard: good men so that they may improve themselves by aiming at it; bad men so that they may justify their acts by citing the "good" end they have in view. Since no one wants to discard the standard, it is vain to blame it for men's failings. In any case, we are not without tools with which to measure and weigh men's announced intentions and acts.

We may analyze the end itself to determine whether it is indeed good. But we may also compare the end to the means to reveal whether each is compatible with the other. The means, after all, contains the end. Emerson wrote that "cause and effect, means and ends, seed and fruit, cannot be severed; for the effect already blooms in the cause, the end pre-exists in the means, the fruit in the seed."⁵ But the means, it should be emphasized, contains only its *natural* end

and not necessarily the end *predicted* by ardent advocates.

Evil Means Cannot Achieve Good Ends

In defense of the use of evil means, some social engineers have said (with the assurance of having produced an unassailable argument), "You've got to break eggs to make an omelet!" And if perchance that argument should fail because no human is injured when the egg is broken, resort is then had to an analogy between surgery on a human and surgery on a social body.

It should not be necessary to point out the fallacies in the egg argument (one has already been mentioned).

Let us consider for a moment the surgery analogy. We must first observe that surgery is performed only with the patient's consent. Does the social engineer hope to obtain the consent of every member of society who will be affected by his "operation"? Secondly, the patient submits to surgery only when *no* other, less extreme, means is available to him. From the patient's viewpoint, as well as the surgeon's, the operation is a *defensive* measure. Finally, the results of surgery are far more predictable on the whole than are those of social planning. The surgeon confines himself to an integral unit whose processes are pret-

⁴ *Ibid.*, p. 149.

⁵ Ralph Waldo Emerson, "Compensation," *Essays and English Traits*, vol. 5 of *The Harvard Classics*, ed. Charles W. Eliot, LL.D., 51 vols. (New York: P. F. Collier & Son Corporation, 1937), p. 90.

ty well known and whose reactions to the stress of the surgery may be predicted with a large measure of success.

Good cannot come from evil. Since the end pre-exists in the means, evil consequences must flow from evil acts. Just as life can come only from life (the doctrine of biogenesis), so good can come only from good. Most persons would not dispute the fact that like comes only from like (which is the reason the alchemists were never successful in their endeavors to transmute baser metals into gold), but many do not believe that this principle can be applied to human relationships. (But none are so skeptical as to believe that the way to win someone's love is to behave uncivilly toward him or her.)

If we can transpose the physical law that like can come only from like to the moral realm, we may infer that a good end can *not* be achieved by the use of evil means and its corollary that good means, rightly construed, *must* attain a good end. We are able to observe and understand this principle when only two persons are involved, such as in a marriage or in a business partnership; but we cannot clearly see that every act, whether for good or for evil, must inevitably cause a like reaction in the larger and more complex re-

lationships within a social body. Unfortunately, it is not always easy to trace the consequences of a public act, since delayed reaction and multiple causes and effects occurring concurrently often obscure the ultimate result of a single act. Such difficulties do not usually attend the observation of the *immediate* results of our acts; these can be seen and felt immediately and absolutely.

Means Become Ends

Having selected a means, we do not automatically carry it out. Each means becomes, and must become, an intermediate end: when we decide that we will use a certain means and plan the steps to implement that means, we thereby make of it an end. We cannot so much as take a pen in hand without first purposing to do so. Every act and, therefore, every means is preceded by a purpose, or plan, to act. That purpose is an end. If my end is to go to work in the morning, every act I must perform to reach that end—including rising from bed, washing, shaving, dressing, breakfasting, and the like—must first be purposed. When it is purposed, it is not yet an act, but is an end. Each of these acts may be further broken down into multiple ends and means. Every purpose, then, however fleeting and insignificant, is an end; and

the consequent act, however simple and brief, is a means. We establish thousands of such ends and means in getting through a normal day, most of them in an unconscious manner.

Let us consider a simple example. Let us imagine that we are standing in a crowd of people assembled to view an important person or event. In order to get a better view (first end), we determine that we must rise on our toes (first means). But note—*selecting* the means is not the same as *executing* the means. We must now establish the end (second end) of rising on our toes; the means (second means) used is to press against the earth with the balls of our feet. We should observe that the means had to become an end before it could be carried out. We should also observe that the “end-in-the-means” was the only certain end, i.e., we *knew* we would rise on our toes by pressing the balls of our feet against the earth. But we were *not* certain we would obtain a better view by doing so.

Each Means Is First an End

We have seen that every act or means is first an end. It is therefore nonsense for a person to cite a remote lofty end which he hopes to achieve in order to excuse himself for committing a present evil

deed, as if that deed were not even more directly and absolutely his aim. He had to *intend*, or purpose the evil deed, else it never would have become an act. The stark fact is that, given an opportunity to choose from a number of possible acts, none of which would certainly produce any effect or end except the one immediately flowing from the act, he chose to commit an evil act.

It follows, therefore, that those who would use evil means to achieve a distant and as yet unreal noble end, while ignoring the very real noble behavior now possible to them, do not intend to do good. It is deeds, after all, which have consequences that can be experienced (felt). If such persons habitually resort to acts involving the use of force or fraud, they reveal thereby their disguised ends. To refer always to some ultimate good in order to sanction evil acts is to deceive first oneself and then others. Men's character, it seems clear, is revealed more in their choice of means (which, we must not forget, are ends) than in the ends they profess.

Nor may the reality of the present deed be taken as a call to go about doing “good deeds” which rely upon the involuntary contributions of others to carry out. If we are capable of thinking, feeling, and acting, we must assume

that other humans are similarly capable. Making that assumption is the most noble behavior a human can practice. Some persons in our society, who are considerably enraged at the prospect of self-appointed censors' determining what they shall be permitted to read or view in a theater, are not at all reluctant to do another's thinking for him in order to achieve what they call "social justice." They are apparently unaware of the monstrous inconsistency of their positions.

The Means Must Qualify as an End

Thus I arrive at what I believe men should take as a maxim: *Where there is a better choice available, no means which cannot itself qualify as an end should be used.* No man could justify terror as an end, yet the communists have attempted to justify the use of terror as a means of forwarding the revolution and industrialization toward the ultimate end of the classless society. Only the means was certain. The communists therefore traded a certain, immediate evil for an uncertain, remote "good." While waiting for this paradise on earth, the peoples of communist nations have been subjected to a species of slavery cloaked as a necessary means. In spite of their horrendous example, we have our own social engineers

whose means always involve involuntary servitude.

That an ideal society cannot be built by the use of such means has been eloquently stated by Milovan Djilas, the former Vice-President of Yugoslavia:

Throughout history there have been no ideal ends which were attained with non-ideal, inhumane means, just as there has been no free society which was built by slaves. Nothing so well reveals the reality and greatness of the ends as the methods used to attain them.

If the end must be used to condone the means, then there is something in the end itself, in its reality, which is not worthy. That which really blesses the end, which justifies the efforts and sacrifices for it, is the means: their constant perfection, humaneness, increasing freedom....

No regime in history which was democratic — or relatively democratic while it lasted — was predominantly established on the aspiration for ideal ends, but rather on the small everyday means in sight. Along with this, each such regime achieved, more or less spontaneously, great ends. On the other hand, every despotism tried to justify itself by its ideal aims. Not a single one achieved great ends....

Thus, by justifying the means because of the end, the end itself becomes increasingly more distant and unrealistic, while the frightful real-

ity of the means becomes increasingly obvious and intolerable.⁶

Where it is *certain* that there is no better choice, an *apparently* evil means may be used; but it should be discarded as soon as a better choice appears. Cutting the body of a human can never qualify as an end in itself; but, as surgery, it may be the indispensable means to save a life. Its necessity, which almost completely eliminates choice (except, perhaps, the alternative to be crippled or blind, or to die), seems to remove it from the category of good and evil. Thus, to justify the use of what would ordinarily be evil means, the end must be the preservation of life itself or of a value without which life would not be worth the living, and there must be *no* better choice of means available to achieve that end.

How can we recognize means which really bless the end, means which could themselves qualify as ends? Immanuel Kant has given us two imperatives that may be of enormous help in this primary task of determining just means.

The Categorical Imperative

The first is what Kant called the *categorical* imperative: "Act as if the maxim of your action

were to become by your will a general law of nature."⁷ This imperative, when used to assess various modes of human behavior, helps us to see what the ultimate effects of those actions would be if practiced by everybody.

We know, for instance, that there are fundamentally only three ways to obtain something of value that we need or want: (1) steal it from someone else; (2) receive it as a gift or as charity from someone else; or (3) produce it oneself or work to acquire the money to buy it. Kant's categorical imperative, applied to each of these methods in the economy, results in the following possible standards:

1. Everyone steals from everyone else.
2. Everyone depends upon the production and generosity of everyone else (charity or public welfare).
3. Everyone who is able to do so produces, i.e., works.

Number one was the standard until the advent of the Industrial Revolution. Because the requisite technology was not available to extract large quantities of raw materials from the earth and to convert them easily and cheaply into an abundance of tools and consum-

⁶ Milovan Djilas, *The New Class* (New York: Frederick A. Praeger, Publisher, 1957), pp. 162-63, *passim*.

⁷ Carl J. Friedrich (ed.), *The Philosophy of Kant: Immanuel Kant's Moral and Political Writings* (New York: Random House, Inc., 1949), p. 170.

er products, wealth was thought to be static. One could not produce or create great wealth; one could only plunder it from those who possessed it. Only the mighty succeeded, of course, in acquiring reasonably great wealth. Such a standard obviously limits the possession of a good living standard to a very few; the majority is condemned to a life of grinding poverty. Universal plunder is clearly not a worth-while standard, not only because of its moral implications, but also because of its low productivity.

Number two is obviously a state of universal dependency. This condition will never be truly approximated because, fortunately, there will always be large numbers of producers — persons who work and create simply because they must, because they reject dependency, because they want to *build*. Danger arises when their numbers become too few to sustain a viable economy. It is clear that number two is really no better a standard than number one — for the same reasons.

We may observe that the only possible and the only moral economic standard is that of universal production. Whatever motivates individuals to devote their wills and efforts toward personal productivity, including the positive factor of the possibility of re-

ward and the negative factor of (not punishment but) stern necessity. It was as much the spur of necessity as anything else which has resulted in the extraordinary technological progress man has made — necessity operating in an atmosphere of freedom to think, to plan, and to implement that plan, and to bear risks and to win any rewards ensuing from successful plans and efforts. On the other hand, whatever encourages or permits persons to defraud or to steal or to depend upon public welfare when they are able to work obviously diminishes the number of producers and the total product, besides causing the growth of a class of perennial dependents. These facts may seem very elementary, but public officials often behave as though they do not understand the principle involved — that production is the *only* path to prosperity. It is the so-called obvious that often escapes critical analysis, particularly when the interests of some collide with facts.

Modes of Social Conduct

When applied to government, the categorical imperative reveals various modes of organization of society:

1. Everyone does everything he pleases. (No organization; anarchy.)
2. Everyone does what everyone

else pleases that he shall do.
(Impossible!)

3. A variation of number two: everyone attempts, by law, to restrain or compel everyone else.
4. Everyone does as he pleases, except that he must not violate the constitutional rights of anyone else.

The absurdity of numbers one and two will, I believe, be readily apparent to all.

Every form of oppression — whether autocracy, oligarchy, or majoritarian democracy — results, in the political realm, from number three: the tendency of each of us to fear our fellow men and attempt to prevent them from acting freely, whether by restraint or by compulsion. (Most of us, of course, are not fully aware that our guiding principle is *force*.) We believe that *we* should be free to act, but we doubt the good intentions of our neighbor. This principle is self-defeating. Just as “the only way to have a friend is to be one,”⁸ so the only way to have freedom for ourselves is to permit it for others. Every act of force must cause a forceful reaction, and so the cycle keeps repeating. If we seek and obtain restrictive or compulsory legislation, we gain nothing; for we ourselves shall be re-

stricted or compelled as much as our fellow men. Though we may see only the particular law in which our will seemingly works, we shall have advanced only the principle of force and shall have inhibited the creative activity of free men. Thus, if all (or nearly all) of us work for the principle of force, and none of us for that of liberty, we shall be responsible for the monster who chains us.

Fear and Freedom Inversely Related

There appears, then, to be an inverse ratio between fear and freedom: as a people's fear — of foreign or domestic enemies or of economic depression — increases, freedom decreases *pari passu*. Hence the enemies of freedom in every nation seek to keep the people in a state of fear. Fearful people, after all, need the protection of an all-powerful state. It is not accidental that every nation today has far larger armed forces than during the era of laissez-faire capitalism, which was a time of relative peace, nor that communist nations have so immense and pervasive a police apparatus.

As fear and freedom function inversely, so courage and liberty rise or fall together. There is no way in which we can retain our liberties if our courage fails. (Witness the inroads made by state intervention during the

⁸ Emerson, “Friendship,” *Essays and English Traits*, p. 116.

Great Depression.) And the current practice of conditioning citizens to be dependent upon the welfare state is not likely to increase their courage. Courage, at once the cause and effect of self-reliance, grows when one encounters and overcomes obstacles. This being so, what will be the effect if all of us rely upon the state for our security? Disaster. For the state is a mythical entity, which has no existence apart from the individuals who compose it; it cannot receive, as if by blood transfusion, the courage and vigor which flow out of the people. That courage and that vigor are *lost* — to the individual and to the state.

The fourth maxim listed may be recognized as the essence of constitutional government. It is often said that ours is a government of laws and not of men. This statement means (or should mean) that no man, or group of men, is free to make arbitrary judgments or decisions in the conduct of public affairs. It should also mean that rights of individuals are protected from the assaults of combinations of men. In implementing the Constitution and the laws, therefore, public officials have a duty to consider only the rights of individuals, since groups, as such, have no rights. Nor may the individual rights of members of a group be added up to defeat the rights of

a single individual. The so-called rights of groups inhere in and flow from the rights of the individual who is a member of the group. No matter how large the group, it can assert the rights of only one individual. To believe otherwise is to accept the "might makes right(s)" philosophy.

The Practical Imperative

Kant's second imperative, which he calls the *practical* imperative, is this: "Act so as to treat man, in your own person as well as in that of anyone else, always as an end, never merely as a means."⁹ An individual may be used as a means only when he, the individual himself and not some collective man, is *simultaneously* the end. When taxes are taken from one person and applied to the support of another (whether through aid to education, Medicare, a guaranteed annual income, or anything else), the first person is being used as the means and the second as the end. It is deceptive to say that these aids will be available to all, because many persons will never use them. The government, which is supposed to be the guardian of justice, thereby violates the first principle of justice: it dispenses, not a uniform brand of justice to all citizens alike, but a brand which varies with the social or

⁹ Friedrich, *Philosophy of Kant*, p. 178.

economic status of citizens. If it had the blind eyes of justice, it would insure that every public act reached *every citizen* as an end. The so-called common good can thus mean only the total of individual "goods."

It is safe to say that no dictator or totalitarian government in history has ever emphasized the rights of individuals, a fact which should stand as a beacon to all whose highest aspiration is the freedom to become. On the other hand, those who hope to further the collective society know *their* enemy and have always inveighed against individualism:

Karl Marx wrote, "The Democratic concept of man is false because it is Christian. It holds that each man has a value as a sovereign being. This is the illusion, dream and postulate of Christianity."¹⁰

Adolf Hitler wrote, "To the Christian doctrine of the infinite significance of the individual's human soul, I oppose with icy clarity the saving doctrine of the nothingness and insignificance of the individual human being."¹¹

But, if the individual — who thinks, feels, and acts — does not

have supreme worth, who or what does? Obviously, the collective. Jules Monnerot calls this the Myth of the Species:

To abstract the individuals who compose it is to endow the Species with transcendence; but, in fact, the Species is only accessible through the individuals. Hypostatized as an abstraction, it becomes a transcendent and all-devouring entity; and to immolate existing individuals for the sake of future individuals — or of the Species (the ambiguity is the essence of mythical thinking) — is to feed this transcendent entity with human sacrifices. But if the whole chain is present in each of its links, if the individual and the Species are each immanent in the other, then this immolation of individuals may be the destruction of the Species as well.¹²

We should not forget that Kant said we are not to use ourselves as means only. Thus a man may not elect, rationally, to be used merely as the means for the ends of others, even though he may believe he is being very unselfish and noble in doing so. He cannot logically assert that he is concerned with the humanity of others while disregarding his own humanity, any more than he can logically refer to the mote in other men's eyes while disregarding that in

¹⁰ Quoted by Fred G. Clark in *How to Be Popular Though Conservative* (New York: D. Van Nostrand Company, Inc., 1948), p. 101.

¹¹ *Ibid.*

¹² Jules Monnerot, *Sociology and Psychology of Communism* (Boston: The Beacon Press, 1953), pp. 280-81.

his own. This accords with the Commandment: "Thou shalt love thy neighbor *as thyself*"¹³ (emphasis is mine). If Karl Marx, for instance, had been more concerned about his own welfare and that of his wife and children, we could perhaps better believe the portrait of him as a lover of all humanity. Instead, he lived as a frequent dependent of his collaborator, Friedrich Engels, often in grinding poverty. If a man sacrifices himself and his family, whose existence is more real and normally more dear to him than that of others, we may be pardoned for believing that he will not hesitate to sacrifice others.

The Golden Rule

Another guide to the selection of just means is the Golden Rule: "Therefore all things whatsoever ye would that men should do to you, do ye even so to them: for this is the law and the prophets."¹⁴ This principle is expressed in the negative by Confucius: "Do not do unto others what thou wouldst not they should do unto thee."¹⁵ This rule is *not* valid, however, for *everybody*. It requires that the in-

dividual have a proper (i.e., just) self-image: he must evaluate his own intrinsic worth *as a human* as no greater and no less than that of any other individual. Respect for others' individual rights to life, liberty, and property is the political expression of this moral precept. If a man believes his own person is more important than that of others, he will sacrifice the rights of others to his own cause. If he believes that the person of another is more important than that of his own, he will sacrifice his own rights (i.e., be used as a means) to the cause of that other person. If he believes he is *as* important as others, he will neither demand nor accept sacrifice. This rule does *not* prohibit either the recognition and reward of individual merit or the identification and punishment of crime. It merely requires that we do not value our own *person*, as opposed to our own achievements, more highly or less highly than that of another.

With the above limitation in mind, what are some ways in which we may comply with this Golden Rule?

First, we must respect other persons as the thinking, feeling, acting beings that they are; and we should realize that no one, ourselves included, is infallible. If we pay this respect, we will be un-

¹³ Mark 12:31.

¹⁴ Matt. 7:12.

¹⁵ "The Sayings of Confucius," *Sacred Writings*, Part 1, vol. 44 of *The Harvard Classics*, ed. Charles W. Eliot, LL.D., 51 vols. (New York: P. F. Collier & Son Corporation, 1937), p. 53.

likely to decide that we know what is best for our fellow men and attempt to implement our own plan in the law. Frederic Bastiat expressed this idea eloquently:

Oh, sublime writers! Please remember sometimes that this clay, this sand, and this manure which you so arbitrarily dispose of, are men! They are your equals! They are intelligent and free human beings like yourselves. As you have, they too have received from God the faculty to observe, to plan ahead, to think, and to judge for themselves.¹⁶

We must resist force and fraud. But, in doing so, we must not become that which we have condemned. If we do, in what essential respect will we differ from those whose actions we deprecate? In the fact that we were not the first to commit a certain act? Every man since Adam has been able to seek that refuge. We cannot in good conscience criticize another for doing that which we would do in the same circumstances. In resisting force and fraud, therefore, we may use force only in self-defense. This principle is of supreme importance in times like the present, when provocations abound.

Nor may we wait for every other person in the world to do

the right thing before we will do it, else no one would act morally. The Golden Rule requires example: it says we should do to others, not what they do to us, but *what we would have them do to us*. If we regard a certain principle as good and just, therefore, we ought to practice it whether others do or not. This concept does not rule out legitimate self-defense. If it is right to protect others, either by not initiating force or fraud against them or by defending them against force or fraud initiated by others, it is right to protect ourselves, for we are human, too. The admonition Jesus gave his disciples is appropriate: "Behold, I send you forth as sheep in the midst of wolves: be ye therefore as wise as serpents, and harmless as doves."¹⁷

If we set out to reform ourselves, we will then not set standards for others which we do not ourselves practice. One of the best ways in which we can guard against destructive criticism is to watch our speech. Our speech, a powerful means, reveals our ends. Our speech attracts or repels, praises or condemns, inspires or disheartens, honors or dishonors, conciliates or antagonizes, enlightens or deludes, identifies or obscures, unifies or divides — and thus with each expressed thought

¹⁶ *The Law* (Irvington-on-Hudson, New York: The Foundation for Economic Education, Inc., 1964), p. 48.

¹⁷ Matt. 10:16.

advances good or evil. As Leonard Read so frequently points out, we can advance the cause of limited government, liberty, and the free market best by the power of attraction. If we wish our ideas to attract, we must be positive in our rhetoric.

We may — indeed, must — surely identify error and, to the extent we are able to do so, reveal the means of correcting it. But we must avoid the temptation to label everybody with whom we disagree a public enemy. We must, instead, find ever better, more lucid demonstrations of the correctness of our own position. (It is, of course, equally important to insure that our own position *is* the correct one.)

We must, then, examine the ends and means of those who would persuade us. To that end, I have devised a tentative series of questions, which the reader may improve upon, to assist in analyzing ends and means. These questions summarize the ideas expressed here. Some of them overlap, but I believe all are necessary — and perhaps more as well.

To Recognize a Legitimate End

1. Is the end possible? Does it recognize man's limited ability to predict any but the most immediate consequences of acts?

2. Does the end recognize each

individual as a being able to think, feel, and act for himself? Does it recognize the individual's fallibility when it comes to planning for others than himself?

3. Does the end recognize that one individual should not be the means while another is the end?

4. Does the end recognize every individual, in justice, only as a human being and not as a member of a particular race, class, party, or other group?

5. Does the end require the use of force as a means? If so, is the end defensive in nature, i.e., absolutely necessary to preserve the highest values (life, freedom)?

6. Does the end contribute to the enlargement or the diminution of individual rights to life, liberty, and property?

To Recognize a Legitimate Means

1. Does the means recognize each individual as a being able to think, feel, and act for himself? Does it recognize the individual's fallibility when it comes to planning for others than himself?

2. Does the means recognize that one individual should not be the means while another is the end?

3. Can the means itself qualify as an end (though not necessarily the most *desired* end, just as labor is a worthy, though perhaps not the most desired end)? If not, is there any *better* means which may

be used? If not, *must* that particular end be attained?

4. Does the means involve the use of force or fraud? If it involves the use of force, is that force used only by government, only in the degree necessary, and only to protect individual rights to life, liberty, and property?

5. Would those using the means welcome such means being used on themselves in similar circumstances?

6. Would the result be good, bad, or indifferent if *everyone* used the same means or if the means were applied to everyone?

7. Does the means, including speech and the printed word, emphasize the positive? (It is important to remember the power of the word. The question occurs: If *all* speech and written matter were positive in approach, would actions not follow suit?)

If the end is revealed in the means, then surely our character is revealed in our selection of both ends and means. If we believe in liberty and justice for all men, we will use only means reflecting liberty and justice. And these concepts — of liberty and of justice — cannot be achieved separately, because they are one. Their es-

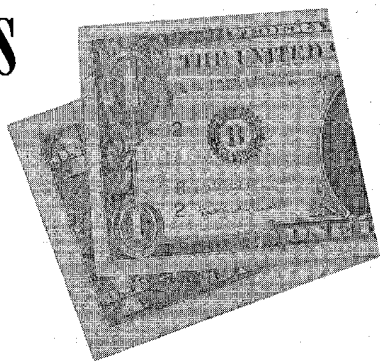
sential unity has been expressed by Abraham Lincoln: "My faith in the proposition that *each man should do precisely as he pleases with all which is exclusively his own* lies at the foundation of the sense of justice there is in me"¹⁸ (emphasis is mine). So-called social justice is achieved by doing as one (the planner or the recipient) pleases with what belongs to another. The doctrine of social justice, therefore, agrees with that of communism in kind if not in degree: both, one knowingly and openly and the other unwittingly and tacitly, accept the principle that the end justifies the means. Though this is an unpleasant conclusion, it cannot be logically avoided.

The libertarian argument is not that we should prefer the welfare state to socialism and socialism to communism, but that we should prefer limited government to unlimited government, a free market to government intervention, private to collective property, and individual rights to collective privilege. 

¹⁸ Philip Van Doren Stern (ed.), *The Life and Writings of Abraham Lincoln* (New York: Random House, Inc., 1940), p. 162.

RISING TAXES WEAKEN THE DOLLAR

HANS F. SENNHOLZ



POLITICAL SCIENTISTS tell us that the Federal government may incur a deficit of 10 to 12 billion dollars in fiscal year 1971. If the proposed welfare reform measure known as the Family Assistance Plan is enacted, and if the current business recession persists or deepens, even greater Federal deficits may be expected in the years ahead.

When government spending outpaces revenues by such magnitudes we must brace ourselves for higher taxes, new debt, and more inflation. For the Federal government has only three sources of revenue that provide the funds for its spending.

It may borrow the necessary funds in the loan market. In competition with business it may compete for the savings that accrue

in the economy. Indeed, government can outbid business for new funds, and thus deprive business of capital needed for operation, expansion, and modernization. Interest rates will then soar and business decline. An economic depression would be the inevitable consequence of such deficit financing.

Inflation, i.e. the creation of new money, is a much more convenient method of government financing. The new debt is simply monetized, that is, either purchased directly by the central bank — the Federal Reserve System — or purchased by commercial banks which in turn are supplied with the necessary reserves by the Federal Reserve System. The Federal government thus uses newly created purchasing power.

But such spending tends to raise goods prices and thereby deprives all money holders of some pur-

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chasing power. In fact, inflation is a Federal tax on all dollar holders. It also alters all existing debt relations as it enriches all debtors at the expense of creditors. Inflation thus shifts huge amounts of real wealth from the pockets of savers and investors to those of debtors among which the U.S. Government is the biggest. It is a cruel tax as it gradually destroys the financial substance of many people, especially the old and weak. And it is a highly inefficient tax as its unearned revenues accrue not only to the Federal government that is levying it, but also to all other debtors who now discharge their obligations with cheaper money and less purchasing power.

But inflation as a source of revenue is rather popular with many politicians and bureaucrats as some of its painful effects become visible only much later. And finally, inflation is not so easily understood by its victims. The government that inflates may blame businessmen and other minorities for the inflation evils. In fact, it may even broaden its powers over the people through price, wage, and rent controls in order "to fight the inflation."

Thus, in view of the staggering Federal deficits that are on the fiscal horizon we must brace ourselves for rampant inflation.

A less popular source of new revenue is higher taxation. New taxes may be invented or the rates of old taxes may be raised. We must expect both in times of huge Federal deficits. It is true, Federal tax revenues are expected to drop \$2.3 billion in fiscal 1970. And further tax cuts have been written into Federal law for the years ahead, mainly benefiting people in lower income tax brackets. This is why one may expect the new taxes to be directed at American business and businessmen in higher tax brackets.

But few taxpayers are likely to enjoy lower tax burdens. State and local taxes are shooting up rapidly despite a taxpayers' revolt that has blocked many tax boosts across the country. In 1970, states and localities are expected to collect \$89.5 billion, some 10 per cent more than in 1969. Altogether, taxpayers are estimated to turn in about \$282 billion in 1970, which is \$5.9 billion more than in 1969. In the years ahead when the Federal demand for funds will soar, sharp annual boosts in combined tax burdens may be expected.

Rising Taxes Raise Prices

Most students of fiscal matters are aware that Federal government deficits are inflationary whenever they entail currency and

credit expansion. But they frequently overlook the fact that rising taxes, too, may cause prices to rise.

Taxes are an integral factor of cost in economic production, like labor, capital, land, electric power, materials, and other resources. Whenever production costs rise, goods prices tend to follow. But rising costs are not simply added to prices, as is commonly assumed. The economic "law of cost" teaches that production costs exert their influence on prices only through the interaction of supply. That is, rising costs tend to reduce business income and thus deprive marginal enterprises of the needed revenue to carry on production. Output is curtailed and supply declines, which then causes goods prices to rise.

Taxing Peter to pay Paul has become a respectable way of life with countless pressure groups and their spokesmen in Congress. Taxation is one of the most potent instruments of political and economic radicalism. It is the political tool that can change the political and economic system, redistribute the fruits of all our labors, and inflict oppression on some or all people. In the often quoted words of Justice Marshall, "The power to tax is the power to destroy." And, in the words of Edmund Burke: "Taxing is an

easy business. Any projector can contrive new impositions; any bungler can add to the old; but is it altogether wise to have no other bounds to your imaginations than the patience of those who are to bear them?"

Government's concern for the poor is laudable indeed. But the tax programs that are so popular today would only aggravate the plight of the poor. After all, taxes like the corporate income tax and many other business taxes imposed on the rich are taxes on economic production. Such taxes consume the very capital that creates jobs through investments, improves production and working conditions, and thereby raises wage rates. To advocate higher taxes on the rich, most of whom are highly productive businessmen and investors, is to expropriate the very means of capital investment that afford jobs and better living conditions for the poor. It is in the vital interest of the poor that there be wealthy promoters and investors who do not consume all their income, but build factories and stores, shops and other business establishments — all of which provide jobs and income.

How Taxes Affect Our Lives

The impact of taxation on every aspect of economic life is fre-

quently underrated. Taxes on production, like wages and interest, are boosting goods prices in accordance with the "law of cost." But also those taxes that are leveled primarily at consumption, such as the income taxes paid by workers, make their way into prices. The \$2,000 income tax withheld from the steelworker's annual pay is a real cost to the steel mill like the wages paid directly to the worker. As such the very amount of tax withheld is reflected in steel prices. A boost in his income tax reduces the worker's take-home pay, but does not reduce the steel production costs, and therefore does not lower steel prices. A boost of those labor taxes that directly raise production costs such as payroll taxes, employment taxes, and social security taxes, does affect profit margins and consequently output, supply, and ultimately also prices.

The price of an automobile thus embodies all its costs of material, of capital and labor including all income taxes withheld from the paychecks of everyone participating in its production, from the chairman of the board to the night janitor, in addition to all business taxes levied directly upon its production. A steelworker who finally purchases the automobile must cover all these costs in the purchase price, including ironically

his own income taxes that were withheld from his paycheck when he produced the steel for the car. In short, his income taxes reduce his take-home pay, and with this take-home pay thus reduced he can buy the product at a price that contains his total labor costs including his own income taxes. He pays income taxes and then pays for them in the price of the product.

Even the taxes levied on the owners of the steel mill or automobile plant may affect the prices of their final products. New taxes on capital income not only prevent formation of new capital through saving and investing, but also may induce the owners to withdraw their liquid capital from production. An investment made submarginal by corporate and capital income taxes tends to be liquidated whenever possible. The withdrawal of capital from production, or merely the lack of new capital for expansion and modernization, causes economic stagnation or even decline. In fact, a heavy tax newly levied on capital income must generate a serious depression with heavy unemployment. Withdrawal and consumption of capital then raise the marginal productivity of capital, i.e., the productivity of capital relative to labor, which in turn tends to raise interest rates. Thus again,

the taxes newly imposed work their way into prices either through higher prices or lower wages.

**Taxes and Prices Rise —
the Remedy is Higher Taxes**

The total impact of taxation on our daily lives is probably beyond anyone's comprehension. Government statistics readily confess to a share of 35 per cent of total production as the money costs of government in the U.S. The effects of such a burden on prices are obviously incalculable. But next to labor costs they are undoubtedly the most significant factor of cost and price in economic production today.

And yet, politicians and their academic propagandists like to

prescribe yet higher taxes as a remedy for rising prices. They are warning us again and again that taxes will have to be raised if the inflationary pressures do not soon subside. When the issue of new paper money by our monetary authorities lifts prices or when new taxes stifle production and then raise prices, the Federal government proposes to levy new taxes on the people.

Thus, rising prices caused by government are the occasion for yet higher taxes by government. And in particular, rising taxes that cause prices to rise are to be alleviated by even higher taxes. It is difficult to imagine where this spiral of taxation must ultimately end. 

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Tax Complications

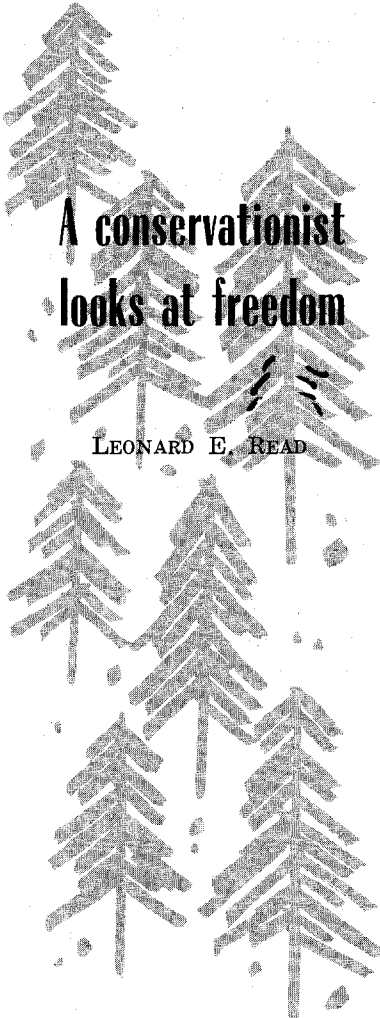
THE FACT that it has become so difficult to accumulate even a comparatively small fortune must have the most profound effect on the organization of business; and it is by no means clear to me that these results are in the social interest. Must not the inevitable consequence of all this be that it will become more and more difficult for innovation to develop save within the ambit of established corporate enterprise, and that more and more of what accumulation takes place will take place within the large concerns which — largely as a result of individual enterprise in the past — managed to get started before the ice age descended?

IDEAS ON



LIBERTY

LIONEL ROBBINS, "Notes on Public Finance,"
Lloyds Bank Review, October, 1955



A conservationist looks at freedom

LEONARD E. READ

THE TERM "conservationist" is generally applied to those who concern themselves about our ecological situation and look to government to do the conserving. We who do not look upon government as the Great Conservator are generally regarded as not interested in conservation.

Despite this confusion of terms I, too, am a conservationist!

Advanced students of the freedom philosophy readily recognize that mail delivery should be taken out of governmental operation and turned over to the free market, that is, to men in voluntary, private, competitive, cooperative action. And they will make the same case for nonintervention in housing, welfare, and a host of other creative activities — even education and religion.

But there is one troubled situation which few approach with faith in freedom: conservation of natural resources and wild life. Leave the blessings of nature to free men? Perish the thought! Why, men left to their own devices are so profit hungry — avaricious — that in no time at all the forests would be denuded, natural recreational areas and wild life but a memory of bygone days! Most people abandon freedom as a means of conservation, which is to say, they turn the problem over

to society's coercive arm: government.

Searching the Unknown

The case for freedom as related to conservation is difficult because it requires exploratory thinking about experiences that have gone pretty much unnoticed. We must assess the unheard, the unseen, the unknown. No wonder we stand confounded as would have Adam Smith or Frederic Bastiat had they been asked if freedom could be trusted to deliver the human voice at the speed of light! Unthinkable! Extracting meaning from the unthinkable is no easy matter.

But I am convinced that conservation can be far more safely entrusted to men in freedom than to the *verboden* techniques — figuratively, “keep off the grass” — which seem to feature and set the limits to governmental achievement.¹

The reasons for my deep-seated conviction derive in part from glimpses of free market achievements and of governmental failures, but even more from my faith

in the miraculous results that can be obtained by men when free to try and an utter lack of faith in the possibility of any creative accomplishment by coercive devices. Conservation is clearly in the creative realm!

Conservation vs. Preservation

But first, what *really* is conservation and how is it distinguished from preservation? “Melville Bell Grosvenor has artfully defined the difference between preservation and conservation. Preservation is retention undisturbed and in a natural condition, much as a museum. *Conservation is the wise use of our environmental resources for the best interests of man.* Of necessity, it involves a sense of stewardship and responsibility in the use of those resources. We undoubtedly need some preservation. But it cannot be the answer to the control of man's environment, for *we are an ecological part of that environment, and to preserve it makes us a museum-piece as well.*”² (Italics added.)

Had mankind been around throughout the ages and succeeded in preservation — “retention undisturbed” — dinosaurs would still

¹ This is not to preclude a reliance on the courts and other governmental procedures to stop the upstream polluter or nearby smoking chimney or slaughter house that clearly damages or threatens the property or lives of others. See “The Pollution Problem” in my *Let Freedom Reign* (Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1969), pp. 1-8.

² Extracted from “Young Forests Aid Global Oxygen Supply” by Dr. John Rediske. See *Weyerhaeuser World*, April, 1970. Melville Bell Grosvenor is Editor-in-Chief and Board Chairman of *National Geographic Magazine*.

be with us. As it is, we have only reconstructed skeletons of these reptiles in museums. These admittedly have their value: they permit us to gain some knowledge of the Mesozoic Era. Assuredly, however, the existence today of prehistoric animals would not be considered as "the wise use of our environmental resources for the best interests of man," which is to say that their *preservation* would not qualify as *conservation*.

Back to the Cave

Can we not make a similar observation about all natural resources? Trees, for instance? No question about it, the Giant Sequoias are a feast to the eye. And who among us does not yearn for their preservation? But had the preservation of trees — "retention undisturbed" — been the rule, would that have been "the wise use of our environmental resources for the best interests of man"? Hardly! We'd still live in nothing better than adobe huts!

Apparently the preservationists would have all of us in our present state of affluence being able to tour the forests in their pristine glory. What they fail to realize is that a strict preservationist policy applied to all natural resources would reduce "all of us" to the population of a foraging economy. How many would that be? The number

of Indians who lived in this land — less than one-half of one per cent of today's population! A conservation policy, on the other hand, counsels the use of trees for homes; indeed, timber now has not less than 5,000 uses. "Retention undisturbed" would hold our numbers at a few hundred thousand and condemn us to huts and tepees.

Freedom Is the Effective Method of Conservation

Let me sketch here a few glimpses and thoughts which have turned my mind toward freedom as the effective means to conservation.

Bearing in mind that man, too, is part of the ecology, observe how governmental preservation schemes work on human beings, American Indians on the reservation being a case in point. Preserved they are indeed — and as museum pieces.³ Now note that the Indians who have escaped this preservation and have entered into society and competition are among our finest citizens — conservation in its best sense.⁴ Arbitrary and artificial preservations scarcely

³ See "Wards of the Government" by Dean Russell, and "The Guaranteed Life" by Maxwell Anderson. (Single copies on request)

⁴ For a clear analysis of human resources as related to conservation, see "The Greatest Waste" by Paul L. Poirot. THE FREEMAN, March, 1964.

suffice for the survival of a species — human or other.

Doubtless the world's outstanding example of animal preservation is to be found in India — perhaps more than 200,000,000 sacred cows. Are they put to a wise use in the interests of man? These animals largely destroy rather than conserve scarce natural resources.

In contrast, note the program of animal conservation in the United States. Aberdeen Angus, Hereford, and other breeds of cattle — 109,000,000 head — have largely displaced the bison that roamed the western plains. Under these circumstances, one might expect the bison to go the way of the dinosaurs, but conservationists have come to the rescue. Whether for novelty or profit or fun or whatever, there are now thousands of bison under private ownership — far from extinct.

Russian Forestry

Those who look to government as the Great Conservator should reflect on its "achievements," for example, in forestry. Russia is the ultimate in this respect, for there is no private ownership of land. The whole Soviet area — 8.6 million square miles — is owned "lock, stock and barrel" by government. And what do we find? The Commissar charged by the Kremlin planners with achieving lumber

and pulp quotas, and with a minimum labor force assigned to him to do the job, finds it necessary to harvest lumber along the river banks and highways. Talk about denuding the landscape! This is precisely the opposite of what most preservationists have in mind.

Or reflect on the U.S.A. — 3.6 million square miles — 39 per cent of which is governmentally owned and controlled, and the percentage increases. As the shadow of government has lengthened, the plea for more government ownership and control — "keep off the grass" — has also increased. Back in 1920 the voices of preservationists were barely audible. Today, their loud speakers reach us everywhere. The more control we relinquish to government, the more control is demanded of it. Why? Simply because the right way — freedom — is thereby displaced and thus obscured. The merits of freedom grow ever less imaginable to those who are abandoning it in theory and in practice.

Private Timberland Practices

Most people, because they won't even take a look, are blind to what private ownership and control is accomplishing in this field.

Private timberland owners — at least 5,000 of them — are on a *sustained yield* basis, that is, they are planting and growing more

than is being harvested. The first tree farm was established in 1941. At that time 20 per cent more trees were being harvested than grown. Today, 61 per cent more wood is being grown than is harvested and lost to fire, insects, and disease.

But more: most major forest corporations and many small operators are engaged in *intensive high yield forestry*. This includes intensive soils site classification, researching for genetically superior seed, optimum spacing, fertilization, thinning, and timber utilization — not a wasted chip! And investments are being made today with an eye on yields a century hence. Could anything like this be expected in Russia, or of any governmental operation, here or elsewhere? Not remotely! Governments can and often do enforce preservation, but only men in freedom can achieve conservation.

Recreational Areas?

But what about parks and playgrounds and other recreational areas? Leave these to free men? Are you crazy!⁵

Again, my mind is turned toward freedom, not by searching through infinite details but, rather, by what is glimpsed in passing. I

note, for instance, that 63,000,000 acres of privately owned forests are open to the public for recreation, including hunting and fishing.

Among the lands most valuable per acre on earth are two government properties: London's Hyde Park and New York City's Central Park. I have driven through the latter and past the former many times and on each occasion I have tried to relate public use to public expense. I have viewed the beautiful trees, the lawns, and clear ponds of each place — empty spaces, often with no human beings in evidence. True, the passing motorist has an aesthetic appreciation of Hyde Park as does the tourist who looks down on Central Park from the Empire State Building. But is it properly a function of government to thus limit these valuable properties?

Yellowstone National Park — larger than Rhode Island and Delaware combined — last year had slightly over 2,000,000 visitors.

In contrast, consider three private operations in California — conservation in manifestation. If we would but look, every state affords somewhat similar examples.

There's Disneyland — about 160 acres — now accommodating some 10,000,000 individuals annually, a recreational delight.

Knott's Berry Farm, of no more

⁵ See "Exploring the National Parks" by John C. Sparks. THE FREEMAN, December, 1964.

than 150 acres, with its perfect replica of Independence Hall, has 4,500,000 visitors each year.

The 22 acres bordering San Francisco Bay — Fisherman's Wharf, The Cannery, and Ghirardelli's Square — give pleasure to 3,700,000 people annually.

These private operations, occupying but a tiny fraction of one per cent as much space as Yellowstone National Park, give enjoyment to 9 times as many people! Acreage-wise and recreation-wise, these would seem to be overwhelming odds in favor of freedom, that is, on the side of conservation as distinguished from preservation. Such facts persuade me that we should not rely on government as the conservator of our resources.

Yes, goes the rebuttal, but I have other preferences; Disney's playground, Knott's Americana theme, and the gastronomy and views at Fisherman's Wharf hold no lure for me; I relish the great open spaces or the mountains or the seashore or the forests in their natural state. And all I say to this is, "Fine and dandy. But why not encourage the proper means to these ends: freedom!"

Myths that Blind

There are countless myths and fallacies which blind people to the miracles that can be wrought only in the practice of freedom.

I suppose the ranking myth has to do with profit. It is generally assumed that profit seekers, in aiming for their own gain, will not serve others aesthetically or culturally or spiritually. The fact is that he who peacefully seeks his own gain can succeed only as he serves others. This is lesson number one in economics, and applies as rigidly to the clergyman or teacher as it does to the baker of bread or the builder of Disneyland.

We must keep in mind that there are two kinds of profit: monetary and psychic, the latter, in many instances, more strongly motivating human action than the former.⁶

There are several reasons why we fail to see how these two forms of profit work their wonders. Foremost is governmental preemption. When government takes over parks and recreational areas, profit-seeking men simply turn elsewhere. Incentive is at zero. It's precisely the same as when government assumes the responsibility for the welfare of your neighbor — you feel no responsibility for helping him in time of need.

Also, we are inclined to look upon present-day profit seekers as representative of free and self-

⁶ See "What Shall It Profit a Man?" in my *Deeper Than You Think* (Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1967), pp. 108-117.

responsible men. For, so it is imagined, we are a free people! Far from it! We are living in a highly rigged and interventionist society. Instead of the rectitude expected of those whose profit depends on efficient service to willing customers, we find men grasping for special political privilege. Interventionism lowers the moral standard.⁷

Rely on the Profit Motive

Abandon the myth of government as the Great Conservator; confine this power structure to insuring against fraud, violence, predation, misrepresentation, and other destructive actions, and watch the profit seekers go to work in the interest of everyone!⁸ If we may judge by performance where profit seekers have been allowed open opportunities, their accomplishments will far exceed anything we can imagine.

Seekers of monetary profit will supply whatever the demand warrants and do so with the least possible waste of either natural or hu-

man resources. Who can justifiably ask for more than this? If an individual insists upon a vast park for his own enjoyment, let him provide it at his own expense.

But here is where the psychic profit seekers will come to the rescue, and extravagantly! They'll build parks, playgrounds, bird and other sanctuaries, and recreational areas of every conceivable kind and all over the place, just as today they give billions to educational and religious institutions, art galleries, museums, monuments, civic centers, libraries, and what have you. There are thousands of individuals who would gladly turn their fortunes to something of this nature. That's psychic profit! And no more is required to put this remarkable profit process into action than to stop governmental pre-emption. It's that simple, and far more promising than anyone can possibly portray.

Conservation is the wise use of our environmental resources for the best interests of man. Who is to determine "wise use" and "best interests"? Free men, that is, men in voluntary action with no restraints against the release of their creative energies. These are the only true conservationists! 

⁷ For a further explanation of this point, see "Why Freedom Is Not Trusted," *Notes from FEE*, March, 1970.

⁸ The price system is among the greatest and most powerful conservators. As a resource—renewable or irreplaceable—becomes scarce, its price rises, cutting down less important uses and encouraging more discoveries and equally good or even better substitutes.

"For the Best Interests of Man"

A. NEIL MCLEOD

IN THIS LAND of abundance, people generally have lost sight of the fact of scarcity. They have been bemused so long by tales of conspicuous consumption, overproduction caused by the misallocation of resources (never due to intervention, always due to malfunctioning markets), they have been assured that the problem is one of distribution — that they are in fact unable to accept the fact of physical scarcity let alone economic scarcity (it's really the only kind). Oil existed in abundance before our forefathers discovered it. As soon as it was discovered it became scarce. Who can comprehend that kind of perversity? Scarcity, they have been taught, is caused by malevolence because "science" knows enough to permit every man to live like a king!

The "scarcity" that concerns

the typical conservationist is usually that scarcity having to do with a resource that men did not have the wisdom and foresight to bring under the rules and strictures of private property. Often these resources are psychic and aesthetic in nature and pose extremely difficult problems to bring them into an exchange mechanism.

You and I have, in our lifetime, seen air and water pass from a category of free goods to economic goods — in other words we have seen the metamorphosis of scarcity. It has happened rather suddenly and our institutions are not in shape to cope with air and water as we did with land. Although the institutional framework is not the barrier in the case of the oceans, the system that has worked so admirably for land isn't being given a thought for its applicability to oceans.

The much used phrase, "in the best interests of man," is the crux.

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Nothing can filter the infinite needs of man better than the market; the market demands exchange, and free exchange demands private property. For this reason there can never be a widespread conservationist movement. To conserve — what? — somebody has to decide whether to mine coal and use pit props, or to preserve the forest and let the coal lie unused. The myopia of the conservationist never permits him to grasp the principle of substitution.

Conservation has too many ingredients that are incompatible to each other and that are complexly interrelated for it ever to be attractive as a broad regulatory field. Regulatory attempts are primitive in that the objects of their violence must be discrete and discernible, i.e. airlines, railroads, farmers, post offices. The little zealous preservationist interventions are annoying, cause some misallocation of resources, but are no great threat because the job is simply overwhelming. For example, during World War II the W.P.B. chronicled the fact that there were at least 700,000 separate uses for paper. Since then per capita consumption of paper has risen from 306 pounds in 1941 to

565 pounds in 1969. Who would like to guess how many more than 700,000 ways we are using paper today?

There is a great similarity between some aspects of pollution and violence. We have polluted our environment because our accounting has been in error. We have overlooked certain costs. We have assumed a costless situation that now suddenly tenders its bills, bills we acknowledge. We have made these mistakes, indulged in these abuses, because we thought they were costless. Recovery from pollution will be slow until we get the bills in shape and enter them into the proper accounts.

So it is with violence. People are under the mistaken idea that their particular conservation (violence) is costless. In large part they have seen that the conservation in Viet Nam (a very particular kind of conservation — aren't they all?) is indeed not costless, and they are recoiling from this special violence. So violence will be used (and abused) until its costs come to light. Then, as with pollution, recovery from the abuse will be slow and painful. Freedom is unthinkable for those who only think coercion.



DISSENT

MERRYLE STANLEY RUKEYSER

IN A FREE SOCIETY we should never forget that dissent, no matter how irritating, is a symbol of liberty. In a police state a negation of official policy, if it is expressed, necessarily goes underground.

While freedom includes the right to be wrongheaded, a prudent person does not intentionally utilize this privilege. Where there is a free and uninhibited marketplace for the interplay of ideas, intellectually mature persons undertake as part of self-education to audit affirmative concepts as well as criticisms.

There is a default when older citizens indiscriminately lump a whole generation into a stereotype and conclude that "the young people are very bright." Such superficial characterizations not only blur the vast differences of opin-

ions on campuses, but also denigrate the need of Marquis of Queensberry rules in the squared ring of dissent. To criticize only the criminal fringe who burn buildings and records and who kidnap deans, while tolerating all other activities of youth, is not a sufficient exercise of parental responsibility. Unless there is understanding in depth, such permissiveness may have the effect, however unintended, of freezing anachronisms and errors.

Fred M. Hechinger, education editor of *The New York Times*, recently illuminated the point:

Students are capable judges of many flaws in their education and the collegiate environment. But their knowledge about the relationship between the universities and national policies or between intellectual preparation and the eventual reform of society and the world is shallow and

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immature. Their interpretation of the power and the politics that motivate . . . rival forces is as unrealistic as their judgment of the actual . . . aspirations of many of the people whom they would like to help. . . .

It is highly doubtful that the universities could force political policy decisions on the American people, no matter how hard they might try. It would be tragic if, in their inability to know what they cannot and should not do, the universities were to undermine their capacity to accomplish what they can and ought to do in the service of scholarship and society.

Even before reaching manhood, a child knows when he doesn't like farina. Likewise, a student is aware of whether a curriculum fulfills his expectations and needs. Youth is a time for idealism and it is healthy to indulge a dream of human betterment. It is no condemnation of a whole age group to recognize that a freshman has not pursued his studies as far as might be expected of a Ph.D. candidate. In more primitive times, this condition of youthful jumping to conclusions during the uncompleted learning process was called being "half-baked."

Charges of Injustice

In the circumstances, it is not enough to turn thumbs down on nihilistic burners. It is also important to pinpoint the illusions and fallacies which confuse quieter

and well-meaning dissident groups. To be specific, a major fallacious dogma turns around the emotional feeling that the American system is cursed with injustices. A recent Louis Harris poll, for instance, found that a high percentage of students believe "the real trouble with U.S. society is that it lacks a sense of values — it is conformist and materialistic," and that "our troubles stem from making competition the basis of our way of life." These findings represent the attempt of dissident students to pinpoint the injustices in a system that keeps tabs on individual differences.

The kindest and least patronizing attitude is fairly to analyze the basis of discontent on the part of sincere dissenters. Those who are devoted to liberty, however, should not be tongue-tied. Aristotle remarked that, if you know it, you can say it. Don't fall into a booby trap of ominous silence based on fear of a lack of communications and a generation gap. The chasm of age differences can be narrowed when older persons treat youth respectfully, despite differences of opinion. It is too frequently overlooked these days that those in adversary stances look for some guidance from opponents as to how far they can go. Capable union leaders prefer to bargain with knowledgeable man-

agement personalities and look to business executives to signal the outer limits of demands which can be lived with.

Thus, it is less than patriotic to shrink from entering the lists of intellectual conflict and from pointing out that progress lies in stressing the harmony of interests of the groups — the very antithesis of internal class warfare. The idealism behind dissent, even if misdirected, should be reclaimed as a potential national asset. Louis Untermeyer, the poet, articulated the American theme for progress when he wrote: "From sleek contentment, keep me free." Even where there is a demonstrable error made in the heads of protestants, there is frequently good in their hearts. Since dissent turns on injustices, real and imagined, it would enrich our natural resources in human understanding to think through the attitudes which lead to social dissatisfactions. There should be unanimity in wanting to eliminate or reduce man-made injustices. Accordingly, the ideas and emotions behind such dissent should be objectively appraised. The beginning of a resolution of the unrest is to separate the wheat of good ideas from the chaff of illusions.

In the first place, it's important to recognize that no economic and social system either in operation

or in contemplation is perfect. Man's foibles and inner conflicts condition the real world.

Equality May Not Be Just

Secondly — and far more important — is the error of equating "injustice" with "inequality." It is a fact of life that individuals vary greatly in talents, aptitudes, diligence, intelligence, and manual skills. The American system, based on the operation of a free market, rests on recognition of differences. Put in more affirmative terms, a competitive or free enterprise national economy is predicated on discerning and rewarding merit.

The antithesis of inequality is egalitarianism as expressed in the Marxian goal that each should contribute according to his ability and each should take according to his need. Marxism has infected many who haven't marched under the socialist banner. For example, in Fascist Italy under Benito Mussolini, the productivity of the worker was ignored, and married men with children were paid more than bachelors for a week's work. And non-Marxist "liberals" talk poignantly about the "rich and the poor."

It seems an easy intellectual and emotional step for young idealists to move from distress of "injustice" (inequality) to the Marxian formula of leveling down so that

everyone becomes equal, at least in worldly goods. But when the educational process is properly pursued, the dreamers of betterment will eventually confront such challenging realities as the meager subsistence living standards in India where socialist ideas are widely held by those in high places, by the dull mediocrity of life in the Soviet Union, and by a comparative languor and backsliding in Red China while Taiwan (Formosa) has moved dramatically forward in farm output and in technological gains in industry. Close and careful study of the real world clearly reveals that, as a means to utopia, Marxism is a hoax.

It is fallacious to confuse injustice with inequality of talents and aptitudes; more fallacious still is to equate justice with equality of worldly possessions. An individual's favorable adjustment to competitive life affords him wide discretion as to how he shall use the fruits of his labor. Some, in the spirit of Thorstein Veblen's "conspicuous consumption," elect to acquire great mansions, yachts, racing horses, sports cars, and other vehicles of self-indulgence; others choose to be patrons of the arts, to endow learning, and to finance philanthropies. But those who prosper from specialization and trade are under a social ob-

ligation to become savers and thus reserve part of their receipts as capital to provide labor-aiding tools of production which increase the output of the worker and enable him to earn more. In these sophisticated times, this function has been in part delegated to corporations which accumulate undistributed profits to acquire more capital facilities.

If all individuals were unhappily at the subsistence level and corporations were perpetually at the break-even point, the socially important reservoirs of savings would dry up and the people would become poorer to a spectacular degree.

Rising Expectations

While these principles were equally true in an earlier period, the issue has come forth with new and added urgency. This is because mass media, especially movies, television, radio, and the rapidly distributed printed word, have heightened popular awareness of how "the other half" lives. To thus encourage envy and let it run riot is far from a method of building a great society.

Frankly, I am not unhappy that J. Paul Getty has more worldly goods than I, or that Nelson A. Rockefeller's estates at Tarrytown and in Venezuela outclass my modest backyard in New Rochelle.

Neither do I suffer when I contemplate that William Shakespeare wrote sonnets and plays of a quality that I can never achieve. I don't feel badly because Jascha Heifetz on the violin made me appear to be tone deaf. Likewise, I develop no inferiority when I read of the accomplishments in golf of players such as Jack Nicklaus and Lee Trevino, while I remain a duffer.

In a free society, each emotionally healthy person should undertake to achieve optimum development of his own abilities. It is irrelevant to self-advancement whether a neighbor possesses some superior qualities and some restrictive infirmities.

Vital Differences

I never quarreled with the Creator for developing man in infinite variety. In an economic sense, I know that differences are essential for a highly sophisticated capitalistic society in which specialized workers give employment to one another by exchanging the products of their day's labor. If we all had precisely the same bent, the opportunity for give and take at the marketplace would be nil.

Differences are closely linked with the system of incentives. While exploiters of persons of low productivity tend to block progress by telling them they are

doomed and are caught hopelessly in a vicious cycle from which there is no escape, the American dream has embraced the concept of a classless society. This used to inspire young persons raised in non-affluent neighborhoods to believe that it was their mission to be graduated from the slums to raise the living standards of their families. This breaking of class lines occurred widely in the annals of the nation, and The Grand Street Boys Association in New York is a monument to the achievements of young ghetto dwellers who became illustrious in the arts, in politics, in the professions, and in industry.

And the movement was not entirely a one-way street. The fact that competitive processes would also in due course reorient wastrel descendants of wealthy family heads was embodied in the expression, "from riches to shirt sleeves in three generations."

Undoubtedly, a small elite of dedicated individuals would continue to pursue creative urges even without material rewards; but experience demonstrates that incentives in general add to productivity. In my numerous debates on university campuses, on TV and radio with the late Norman Thomas, six times socialist candidate for President, I used to turn against the Marxians their hack-

neyed plea that human nature can be changed. I would point out that, if a management consultant were called in, he would laugh at heterodox management personalities who argued that, if the quality of materials and the nature of man were different, they could achieve great things. In the practical world, the executive's function is to put into harmonious contact machines, raw materials, and manpower, and not to alibi his failure by complaining about the physical and chemical attributes of commodities and the nature of man. Just as experience shows that bituminous coal burns and generates heat, visible facts show that most men improve their performance when motivated by incentives rather than by the whiplash of a Simon Legree.

No real gains can be built on the foundation of illusions. By way of illustration, it's fashionable to cast aspersions on the Establishment, which is a fantasy. The so-called power structure is forever changing with new ones coming into the fold and others leaving. Competition is forever testing the right of a business enterprise to survive and the only Rx for a long life expectancy is pleasing customers. Even the mighty Ford Company suffered from overstay-ing with its Model T and later with the ill-fated Edsel! Even the

promises men live by are subject to change in these dynamic times when the creative mind in science, invention, and engineering is perpetually introducing changes.

The Importance of Incentives

What, if anything, constructive for the future can come out of current widespread dissatisfaction?

It will be helpful to separate the goodness which cries out for better living from error in laying down premises. But the process of promoting harmony cannot be achieved in a melting pot in which are mixed in equal proportions the ingredients of truth and fallacy.

The social utility of incentives should be re-examined in depth, especially since Marxian illusions have somehow penetrated the thinking of even avowed nonsocialists. First, the labor unions with few exceptions lean toward equalitarianism by demanding uniform pay for hourly workers irrespective of differences in individual productivity. On the other hand, experience has shown that piecework and other forms of incentive pay tend to enlarge the contribution of the worker. The leveling process even runs into the professions. In teacher organizations, including not only the unions but also the professional associations, the proposal of "merit pay" constitutes a red flag. Such violent

objection is rationalized on the ground that it is difficult to measure the productivity of a teacher. In business, however, supervisors somehow manage to rate the professional staff, white collar employees, executives, and others according to productivity.

A second subtle assault on incentives is made by social legislation, which subsidizes idleness and forgets that old-age social security tends to weaken motivation for saving and investment.

"Capitalism the Creator"

One cure for the spreading of these misconceptions on campuses would be periodic re-examination of the fitness of the faculties. As an antidote to Marxian and Keynesian fallacies, Carl Snyder's book, *Capitalism the Creator*, should be used. Written thirty years ago by the one-time economist of the New York Federal Reserve Bank and former editorial writer of *The New York Tribune*, the volume would also help to inspire today's distraught parents. Snyder gives first aid for curing the malignant habit of elders who become frightened by talk of "affluence" and become immobilized by their own unwarranted feelings of guilt. Much harm is done by conceding to the uninformed that there is something in what they say.

Snyder vigorously defends inequality, and in positive language ascribes progress to the elite of inventive persons and to capitalism. College deans and dons take notice! Snyder's thesis is that "there is one way, and only one way, that any people, in all history, have ever risen from barbarism and poverty to affluence and culture; and that is by that concentrated and highly organized system of production and exchange which we call capitalistic: one way and one way alone. Further, it is solely by the accumulation (and concentration) of this capital, and directly proportional to the *amount* of this accumulation, that the modern industrial nations have arisen; perhaps the sole way throughout the whole of eight or ten thousand years of economic history.

"No principally agricultural or pastoral nation we know of has ever grown rich, powerful, and civilized. These are the fruits of wealth and enterprise; and these, in turn, of organized industry and trade. . . . All this represents the aggressive drive of the deepest and strongest of human motivations; the will to live, to gain, to discover, to conquer; and that whenever these begin to wane and weaken, and a nation is given over to visionaries, doctrinaires, and novices in 'social' experimentation, its decadence has begun."

Thus, the late Carl Snyder prophetically warned against the contemporary era of intellectual Hippies. Since World War II, Snyder's appraisal of the role of capitalism has been further documented by the miraculous forward movement in the free world of West Germany, and in Southeast Asia in the new prosperity of free enterprise Japan, Hong Kong, Singapore, and Taiwan, despite their meager natural resources.

In connection with the proclivity of superficial conclusion-jumpers on the campuses and elsewhere to fly in the face of the demonstrated realities of past history and contemporary affairs, it may not be entirely coincidental that

the acceptance of economic fallacies is facilitated by smoking pot.

Obviously, "man cannot live on bread alone," but my personal observation of poverty on the streets of Bombay, Delhi, Lima, Bogota, Montevideo, Lusaka, and elsewhere in underdeveloped countries underscores the fatuity of decrying the availability of bread as a display of vulgar affluence.

In conclusion, although it may not be chic to applaud the social utility of the creative mind working in science, invention, and engineering, its humane contribution toward better living is demonstrably and infinitely greater than can be accomplished through the exploitation of envy. 

The Social Character of Capitalism

IDEAS ON



LIBERTY

THERE is but one means available to improve the material conditions of mankind: to accelerate the growth of capital accumulated as against the growth in population. The greater the amount of capital invested per head of the worker, the more and the better goods can be produced and consumed. This is what capitalism, the much abused profit system, has brought about and brings about daily anew. Yet, most present-day governments and political parties are eager to destroy this system.

LUDWIG VON MISES, *The Anti-Capitalistic Mentality*

CLARENCE B. CARSON

Throttling the Railroads

7

The Grip of Privileged Competitors

AS LATE as World War I, the railroads were king of American transport. Virtually all of the intercity freight within the United States moved by rails. For practical purposes, there were no competitors for passenger transport, if steam and electric lines were both properly considered as rail transportation. So great was the preponderance of the railroads that governments had come to treat them as the only effective means for moving either people or goods to most places within the country. In the parlance of politi-

cians and reformers, they had a monopoly of transport. Judging by the Transportation Act of 1920, Congress expected this preponderance to last indefinitely into the future.

It was not to be, of course. Looking back from the perspective of a half a century, it is now clear that the railroads had reached and passed the peak of their dominance of transport by the time that law was passed. The total railroad mileage in the United States had already begun to decline. It reached a peak of 254,037 in 1916 and had dropped slightly to 252,845 in 1920. This downward trend has continued over the years. By 1930, it was down to 249,052; by 1940, 233,670; by

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1950, 223,779; by 1960, 217,552; and by 1968, it had fallen to 209,000.¹

Loss of Passenger Traffic

Of themselves, the figures for total railroad mileage might signify little. But when combined with the statistics for passenger and freight traffic they help to illustrate the declining condition of the railroads. The most drastic decline has been in passenger traffic. It is estimated that in 1926 the railroads provided 39.5 billions of passenger miles of transport for people. There was an absolute decline in this over the years; the figure was 28.6 billions in 1956.² In 1968 there were only slightly over 13 billion passenger miles by rail. Relative to the total passenger miles by every means of intercity transport the rail total declined much more drastically. The rail share of such transport by all common carriers was estimated to be over 83 per cent in 1926. By 1956 it was only a little over 35 per cent. When private transport was taken into the estimate, the rail percentage

for 1926 was 22.48. By 1956 it was only 4.09.³ "In 1968 the slightly over 13 billion passenger-miles of rail travel were only a half of the volume of bus travel, and less than one-seventh of the total air carrier traffic. The rail traffic constituted less than one-tenth of the total commercial intercity traffic, and was under 1.4 per cent of the total private automobile travel."⁴ As things have been going, the passenger train will soon join the oxcart in the museum of abandoned transport.

The freight tonnage hauled by the railroads for distance has not generally declined over the years. In 1926 the railroads carried a little over 452 billions of revenue ton-miles of freight. In 1956—a good year for rail freight—the total was over 655 billions of revenue ton-miles. But the rail share of this intercity traffic has declined greatly over the years. It was estimated to be 76.56 in 1926, and to have fallen to 48.22 in 1956.⁵ However, the percentage of revenue coming to the railroads *vis à vis* that to other modes has declined much more than the percentage of freight ton-miles might lead one to suppose. For example,

¹ John F. Stover, *The Life and Decline of the American Railroad* (New York: Oxford University Press, 1970), p. 155.

² There was a tremendous increase of passenger traffic during World War II. It declined precipitately after the end of the war, though for several years it was still above the prewar level.

³ James C. Nelson, *Railroad Transportation and Public Policy* (Washington: Brookings Institution, 1959), p. 18.

⁴ Stover, *op. cit.*, p. 193.

⁵ Nelson, *op. cit.*, p. 10.

"the rail share of combined truck-rail freight revenues fell from 67.4 per cent in 1940 to 38.7 per cent in 1955.⁶

More Freight — Less Revenue

What has happened most generally is that the railroads have made their gains for the most part in low-rated bulky commodities and lost much of the high-rated traffic, which accounts for the relatively greater decline in proportion of revenues received than of freight ton-miles transported. Certain kinds of traffic have been taken away from the railroads almost entirely. In 1922 there were 80,000 railroad stock cars; the number had declined to 20,000 in 1966. "Long-haul furniture vans soon made boxcar movement of household furnishings a thing of the past, and the increased use of intercity trucking caused a reduction of less-than-car-load lot freight from 51,000,000 tons in 1919 to 1,000,000 tons in 1966."⁷

It has been commonly supposed that these absolute and relative declines in passenger and freight services by the railroads were an inevitable consequence of the development of other means of transportation. Undoubtedly, automobiles, trucks, buses, barges,

pipelines, and airplanes have, each in its own way, advantages over rail transport. Automotive transport on highways has much greater flexibility than that on rails. Water transport is much less expensive. Air is much faster. The public might well welcome and use these alternative means of getting goods and people to distant places.

However, we do not know with certainty today which of these is superior to others in transport in many ways and which the consumer would prefer for what in the open market. This is so because governments have intervened so extensively in transport that the market for transport has been greatly distorted. Almost all of this intervention in the twentieth century has been detrimental to rail transport and much of it has been advantageous to other means of moving goods and people. The restrictive legislation on the railroads has already been surveyed. Here, the task is to examine government aid to other means of transport and the much less extensive and later regulation that generally has been the case there.

What happened to the railroads in relation to other means of transport can be put succinctly. The railroads were regulated, restricted, restrained, and circumscribed: their rates were set, ex-

⁶ *Ibid.*, p. 27.

⁷ Stover, *op. cit.*, p. 128.

pansion and contraction limited, investments monitored, competition hindered, and services prescribed. They were bound hand and foot, as it were, most managerial leeway taken from them, vested with responsibilities without corresponding freedom, and treated as though their owners and managers were irresponsible children. Their would-be competitors, on the other hand, were given special privileges, were fostered, succored, developed, and were for varying periods of time little hampered by restrictive legislation.

Subsidized Highways

Much of rail traffic has been diverted to the highways. People in ever larger numbers have turned to travel by way of the private automobile, and buses and taxis have provided transport for those not having or wishing to use their own conveyances. Trucks have come to haul larger and larger portions of intercity freight as well as that within cities. Governments have long played some role in road building, maintenance, and, of course, such policing as was done. From the 1830's — when the Federal government abandoned extensive projects and state governments shifted their activities elsewhere — to the 1890's most road building was done by local

governments, frequently counties. States began at about that time to play a larger role in road construction. They were doing much more by World War I, by which time automobiles and trucks were in widespread use.

The Federal government began to evince an interest in highways once again in the 1890's. Initially, this interest only resulted in such activities as surveys. To this end, \$2,997 was spent in 1894. However, Federal expenditures grew over the years until by 1916 \$662,785 was spent. In the latter year, the Federal government went more directly into highway construction by authorizing grants-in-aid to states "to establish post roads, regulate commerce, provide for common defense and promote general welfare." It entered much more extensively into road building by way of the Federal Highway Act of 1921. According to that Act the Secretary of Agriculture was to designate a system of interstate highways. For the construction of roads so denominated states were to be granted half the cost on a matching basis. Road building then got underway in earnest. Total expenditures for roads by all levels of government increased from approximately 1½ billions of dollars in 1921 to 2½ billions in 1930. The Federal share of

spending increased from 4.68 per cent in 1921 to 37.11 in 1938, after which it decreased somewhat for a number of years.⁸ Total government expenditures for road construction rose rapidly once again in the 1950's; by 1957 it had reached \$5,662,000,000.⁹ The Federal percentage began to increase once again also. This was even more the case as the Federal government gave priority to the Interstate system and began to fund it vigorously after 1956.

Railbeds Are Taxed

That the development and use of the highways had a debilitating impact on the railroads is clear. It should be clear, also, that governments were promoting highway use by road building and maintenance. The power of eminent domain was brought into use to acquire routes. The power of taxation was used to finance construction and maintenance. Governments undertook the erection of safety devices, patrolling, and the provision of auxiliary services such as aid to motorists in distress. They were aiding one form of transportation while they were restricting and inhibiting another. Whether those who have

used these roads have borne the full burden of the costs is an interesting question, though one difficult to answer. Much of the cost has been paid by user taxes, such as those on gasoline, oil, tires, and so forth, but by no means all. It has been estimated that between 1921 and 1965 a total of \$216 billions were spent by all governments within the United States on roads and highways. Only about 60 per cent of this has come from user taxes, leaving some \$80 billion to be made up elsewhere. One writer notes that "a considerable fraction of the \$80 billion of tax money clearly has provided a *public* route for the more than 16,000,000 buses and trucks which crowd our highways today."¹⁰

There have been efforts in recent years to close the gap and to have the users of the roads and highways pay for them fully by way of taxes related to their use. Even when and if this is done there is the much debated question of whether trucks and buses are paying their share through the taxes. This last question can be left for the experts to hassle over, but there is one difference between the users of the highways (and the users of airways and waterways) and the railroads that incontestably favors the former.

⁸ See Marvin L. Fair and Ernest W. Williams, *Economics of Transportation* (New York: Harper, 1950), pp. 68-69.

⁹ Nelson, *op. cit.*, p. 76.

¹⁰ Stover, *op. cit.*, p. 137.

The railroads have generally been treated as private property and have thus been assessed heavy real property taxes by local governments over the years. By contrast, highways are generally governmentally owned and are free from all property taxes. The result is a subtle but real promotion of highway use *vis à vis* the railroads by government. There are other differences to be taken up below.

Waterways

If there is doubt about the extent of government subsidization of highway travel, there can be little about the amount and extent of that of the use of the waterways. One writer notes that total "federal appropriations for the rivers and harbors program amounted to \$4.6 billion through fiscal 1954. It has involved improvement and maintenance of some 286 commercial seacoast harbors, 131 Great Lakes harbors, and 22,500 miles of waterways, including several multiple-purpose dams."¹¹ Extensive expenditures have been authorized more recently for the St. Lawrence Seaway and the Ohio river, among others. States and cities have also undertaken improvements of ports and waterways. For example, the state of New York widened and deepened the Erie Canal early in

the twentieth century at an expense of \$176 million.¹² In consequence of all these expenditures there has been a dramatic rise in freight ton-miles shipped over water.

Users of the waterways pay little, if any, of the expense of improving and maintaining the rivers and harbors. Such costs as these users have, one economist notes, are "only the expenses of owning and operating equipment and of rendering services. Nothing is included for operating, maintaining and amortizing the federal investment in waterways . . . or for tax contributions on public waterway facilities."¹³

Air Travel

Air travel has also been extensively subsidized by governments. Most of the major airports in the United States have been built and are maintained by local governments, or agencies set up by them. The Federal government has also made extensive grants for the establishment of airports. Weather information for take-offs, landings, and flights is provided by the Federal government. Air space over the United States is, in effect, owned by the Federal government, and authority over it is exercised by the Federal Aviation

¹² Fair and Williams, *op. cit.*, p. 90.

¹³ Nelson, *op. cit.*, p. 90.

¹¹ Nelson, *op. cit.*, p. 85.

Agency. Acts passed in 1926 and 1938, according to a summary, authorize and direct "the Administrator of Civil Aeronautics to designate such civil airways as may be required in the public interest, and authorizes him to develop, establish, improve, operate, and maintain air navigation facilities wherever necessary. . . ." ¹⁴ Between 1925 and 1957 something over one billion dollars were spent in this operation within the United States. Airlines were rather extensively subsidized, at least in the early years, by government contracts for carrying the mails. A study made of the situation for 1940 concluded that if all subsidies to commercial airlines had been eliminated for that year, "gross revenues would have fallen from the actual \$65,000,000 to only \$50,550,000 and operating expense would have increased by \$8,000,000. The 1940 net income of \$6,900,000 would have been converted to a deficit of \$15,300,000." ¹⁵

Airplanes have not been quite as fortunate as barges and ships in the use of these governmentally provided facilities. They do have to pay for some of the facilities and services, at least some portion of the cost of them. Airplanes pay a fee to land at airports. They

also pay a tax on fuel which partially pays for services rendered. However, there can be no doubt that the airlines have been heavily subsidized by governments. The House Committee on Appropriations observed in 1954: "This committee has year after year called attention to the fact that the Federal Government is providing huge sums for airway facilities and operations without reimbursement from the aviation industry. The committee does not propose to continue indefinitely making . . . such large appropriations unless some system of airway user charges is placed in effect. . . ." ¹⁶ Nonetheless, Congress has in recent years turned to the development of commercial aircraft.

Early Aid Was Repaid

It may be objected that the railroads were aided also in the early period of development. So far as it goes, the statement is correct, but there are some significant differences between that and the aid given to competitors in more recent times. In the first place, no new aid was given to the railroads by the Federal government (until very recently) after 1871; nor, so far as I know, was any extensive state or local aid given after that date. In the second place, the Federal aid was repaid over the years.

¹⁴ Quoted in *ibid.*, p. 94.

¹⁵ Fair and Williams, *op. cit.*, p. 114.

¹⁶ Quoted in Nelson, *op. cit.*, p. 99.

That which was extended as loans was, in general, repaid with interest. The lands granted were paid for over many years by the individual railroads which hauled government cargoes at reduced rates. One writer describes the culmination of the latter in this way: "Land-grant rate reductions and voluntary equilization of rates by competing railroads up to June 30, 1943, totaled an estimated \$580 million. Since this was several times the value of the land grants at the time land was granted for railways and it exceeded the sums derived by the railroads from the grants, the Congress in 1945 relieved land-grant roads of the obligation and land-grant reductions ceased as of Oct. 1, 1946."¹⁷ As for state and local aid, it has probably been repaid many times over by property taxes.

Other Aids to Rail Competitors

Governments have not only hamstrung the railroads with regulation, restricted them in various ways, taxed them, and subsidized competitors, but they have given other aid and comfort to them. They were usually regulated much later. Motor carriers did not come under general Federal regulation until 1935. They have also protected competitors rather assiduously.

The Federal government has been most solicitous in the protection of water transport. It has frequently taken care to see that railroads did not underprice and drive out water carriers. A fantastic example of this solicitousness occurred several years ago when the Southern Railway proposed to haul grain in huge box-cars at greatly reduced rates. This, it was supposed, would have considerable effect on the transport of grain by barges on the Tennessee River. Therefore, the Interstate Commerce Commission held lengthy and involved hearings, going from town to town in the Tennessee Valley to explore the ramifications of the matter. In like manner, the railroads were long prohibited from the use of the "unit train" as a means of lowering rates. Bus and truck rates have usually been lower than rail rates. It is likely that this frequently would not have been the case were all means of transport competing vigorously and freely with one another.

Newer modes of transport have not only been subsidized and protected but also given special privileges. The most notable of these special privileges is the franchise. All interstate trucking common carriers have franchises for their activities. In like manner, states frequently license and franchise

¹⁷ *Ibid.*, p. 69.

intrastate and intracity carriers. Entry into the taxicab business is usually restricted in some similar fashion. In like manner, airlines have their routes granted to them, and a limited number are permitted to service any area.

Franchise Privileges

It may be objected that the railroads were also franchised. So they were, but this had a somewhat different rationale. Railroads were expected to provide their thoroughfares, safety equipment, and stations — all of which were or became quite expensive. Franchises and other aids were granted to lure entrepreneurs into the business. By contrast, airlines, trucking, and water transport companies have not provided their thoroughfares, rarely provide safety equipment except that on their conveyances, and frequently do not provide their stations. Certainly, franchises were not needed to lure men into the trucking business, and it is doubtful whether airlines were for long promoted by this privilege. In any case, trucking and airline franchises were different; they were and are special privileges to use facilities provided by governments. The highways may have been built initially for all to use, but only those with special charters may use them commercially as com-

mon carriers. In like manner, the airways are there; they are open space above the earth altered only by surveillance and the provision of take-off and landing facilities. Yet only a most limited number of companies are permitted to use them for scheduled commercial purposes.

These chartered privileges have usually been granted in such ways as to protect established businesses and assure, so far as possible, the prosperity of those engaged in them. By limiting entry, governments have endeavored to see that only those would offer service who could continue to provide it, that they were protected from numerous small competitors, and that those earliest in the field would not be unceremoniously shoved out. If the railroads ever had such protection, it has long since lost its earlier significance. In any case, the railroads have long been stuck with special responsibilities while their competitors have been granted special advantages along with such responsibilities as they have.

A Brief for the Consumer

This work should not be mistaken, however, as a brief for the railroads. If it is a brief for anyone, it is a brief for the consumer. And the consumer has frequently been disadvantaged by govern-

ment policies on all means of transport. The limiting of entry to various fields has reduced the price and service competition which the consumer would otherwise have enjoyed. In interstate moves of household furniture today, for example, the shipper pays tribute, wittingly or not, to some company which has the good fortune to be franchised. The moving company involved may not own a single piece of moving equipment — though some of them do — nor have any of its employees touch one item of household goods. Whether it does or not, it gets a considerable cut out of the moving bill because it holds a franchise for the interstate movement of household goods to the appropriate places. Whether it performs a commensurate service can be determined by doing away with all such franchises and seeing how well such companies fare.

Less Restraint on Private Noncommercial Transport

Yet another major infelicity has resulted from government intervention in commercial transport. However late it has come, regulation and restriction has come to almost all commercial transport in greater or lesser degrees. By contrast, private non-commercial transport has much fewer and more limited restric-

tions and restraints. For example, one may operate his personal automobile without a special franchise, may travel by whatever route of highways he chooses, have as his destination whatever town in whatever state he pleases, notify no authorities of his intention, abandon any service he has provided to others, cease to travel regularly between points where he customarily did, sell his automobile if he grows weary of it, and so on through an extensive list of freedoms. So may he do with his truck generally, so long as he does not haul for others. With some reservations, much the same can be said for private airplanes and boats, and for railroads that go nowhere of commercial interest.

The consequences of this difference between the government treatment of commercial and private transport are everywhere to be seen. It is most apparent on the highways and city streets but it can also be seen in the airways and waterways. Much of public transport has been abandoned, shifted from the railroads to highways, or is in varying degrees of trouble. City street transportation systems have become money losers in numerous places. By contrast, private conveyances proliferate: they clog the highways and streets, are now said to menace the airways, and make many

waterways hazardous. Not all of this should be attributed to differential government intervention but much of it should. Hampered common carriers and largely unhampered private carriers result in inordinate growth of private conveyances and stultification of common carrier enterprises.

The railroads are, however, the main subject of this work, and it is appropriate to focus upon them

once again. They have been throttled by regulation and restriction, had their traffic reduced by aids given to competitors, and been made to look as if theirs was a dying industry by special protections to competitors. They were also the earliest major industry to have large numbers of their employees organized in labor unions. That part of the story must now be told. 

Next: The Grip of the Unions.

Government in Business

HAVE YOU ever heard of a private firm proposing to "solve" a shortage of the product it sells by telling people to buy less? Certainly not. Private firms welcome customers, and expand when their product is in heavy demand — thus servicing and benefiting their customers as well as themselves. It is only *government* that "solves" the traffic problems on its streets by forcing trucks (or private cars or buses) off the road. According to that principle, the "ideal" solution to traffic congestion is to outlaw all vehicles! And yet, such are the suggestions one comes to expect under government management.

Is there traffic congestion? Ban all cars! Water shortage? Drink less water! Postal deficit? Cut mail deliveries to one a day! Crime in urban areas? Impose curfews! No private supplier could long stay in business if he thus reacted to the wishes of customers. But when government is the supplier, instead of being guided by what the customer wants, it directs him to do with less or do without. While the motto of private enterprise is "the customer is always right," the slogan of government is "the public be damned!"

IDEAS ON



LIBERTY

50 years OF ENGINEERING

BEN MOREELL

IN 1844 the United States Commissioner of Patents declared that our economy was "substantially mature" and predicted "the arrival of that period when human improvement must end."

Forty-two years later, in 1886, Carroll D. Wright, the first United States Commissioner of Labor stated:

Industry has been enormously developed, cities have been transformed, distances covered, and a new set of economic tools has been given in profusion to rich countries and, in a more reasonable amount, to poorer ones. What is strictly necessary has been done. There may be room for further intensive but not extensive development of industry in the present area of civilization.

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In 1933, forty-seven years later, President Roosevelt said:

We have enough factories to supply all our domestic needs, and more, if they are used. With these factories we can now make more shoes, more textiles, more steel, more radios, more automobiles, more of almost everything than we can use. . . . Our industrial plant is built. . . . Our task now . . . is not producing more goods . . . it is the soberer, less dramatic business of administering resources and plants already in hand.

Thus spoke the cultists of the "mature economy," with firm conviction and, as proved by later events, with maximum error. Even as recently as 37 years ago, it appears that our government officials were not aware that man's wants are insatiable. Man has certain basic needs, but once these are taken care of, men seek the things of culture — goods of the mind and

spirit, and the leisure to enjoy them. And when men are free to exercise their ingenuity and skills, they find ways to produce fantastic luxuries which soon become commonplace necessities. Those prophets of economic stagnation whom I have quoted were convinced that our sole problem was to devise equitable methods of "dividing up the pie" already on hand. They were wrong. The mainspring of our economic progress consists in making an ever larger pie by expanding the scope and variety of our technological, social, and economic resources.

It is pertinent to note an important difference between the statement of Commissioner Wright in 1886 and that of President Roosevelt in 1933. The former was offered as an opinion for public consideration, to be acted upon as individual judgments might dictate; the latter was derived from the President's conclusion that:

... in our generation a new idea has come to dominate thought about government — the idea that the resources of the Nation can be made to produce a far higher standard of living for the masses if only government is intelligent and energetic in giving the right direction to economic life.

All the power and prestige of the Executive Branch and, so far as the President could influence them, of the Legislative and Judi-

cial Branches, would be directed toward maximizing consumption as opposed to increasing production; encouraging widespread distribution as against capital formation; promoting dependence on government-guaranteed security as against freedom of competitive enterprise.

Cumulative Achievements

My subject is "Fifty Years of Engineering." This might imply that one can draw a sharp line of demarcation between engineering developments prior to 1920 and those which came later. This is an impossible task. For all human progress is founded on the cumulative achievements of countless toilers who, over the ages, have contributed to the vast store of knowledge from which we engineers draw our intellectual inspiration and our technological sustenance. Were it not for the labors of those predecessors, our progress to date in science and technology, as well as in many other areas, would have been impossible. Starting with the invention of the wheel about 4,500 years ago and proceeding through the ages to our present era of sophisticated technology, the record of material progress constitutes an accounting of our debts to our scientific and technological forebears.

I freely concede that during the

period from 1920 to 1970 the cumulative efforts of our professional ancestry have come to fruition in far greater profusion than during all of prior recorded history. Nor would I detract from the great credit due our contemporaries and those of the preceding generation for their contribution to this achievement. We are fully justified in pointing with pride to such developments during the past half century as the harnessing of the atom; jet propulsion; greatly improved communication by means of telephones, radio, television, satellites, laser beams, and others; computer science and electronic data processing; space and ocean exploration; transportation by air, land, and water; development of new materials and revolutionary improvements of old ones; missiles and rockets; advanced techniques in the design, construction, operation, and maintenance of engineering structures; and vastly improved management procedures which make possible the effective applications of these and many other developments.

This has been an epoch of brilliant advances in science and technology. And just as we cannot draw a sharp line to mark its beginning in 1920, so should we not assume that it will end in 1970.

But we must be aware of certain hazards which accompany

this progress and which seem to be multiplying.

The "American Way"

Our American productive machine is highly mechanized. This is true not only of the business and industrial sector but also of our agricultural production. This system provides livelihoods for 205,000,000 of our own people and helps support and protect much of the rest of the world.

How does one account for this nation's amazing capacity to produce? Our people are no more talented than those of the countries whence they came. Our country is no more favored with natural advantages than many others. Furthermore, our resources lay for centuries relatively unused, supporting fewer than a million inhabitants. Now, our 6 per cent of the world's people produce about 50 per cent of the world's goods.

Wherein do we differ from others? The significant difference is that there was established here a governmental system whose mechanisms were designed to minimize coercive force and release the creative energies of individuals.

The fundamental of fundamentals of the plan for living in these United States, which has become known as the "American Way of Life," was an economically inde-

pendent citizenry supporting and controlling a government so limited and confined by a written Constitution that the age-old political trick of controlling people's lives under the guise of a concern for their welfare could never be pulled in America. There was to be a new order of things in which men should be free. But this reckoning failed to take into account some of the loopholes in that Constitution and the ingenuity of demagogues in taking advantage of them. The result is erosion of productivity.

Men Who Would Be Free Must Limit Government

This nation was founded on the principle of a limited government. And judging from the costs of government, it operated that way throughout all of its earlier history. But progressively more and more of the people's incomes have been taxed away by government, especially over the past several decades. This reduces the area over which the individual can exercise his freedom of choice to spend his income as he pleases. An increasing percentage is spent as officialdom dictates.

The opposite of freedom is slavery; and everyone declares in favor of freedom. But, "What is essential to the idea of a slave?" asked Herbert Spencer in his great book, *Man versus the State*. He

goes on to answer his own question:

We primarily think of him [the slave] as one who is owned by another. To be more than nominal, however, the ownership must be shown by control of the slave's actions — a control which is habitually for the benefit of the controller. That which fundamentally distinguishes the slave is that he labors under coercion to satisfy another's desires . . . the essential question is—how much is he compelled to labor for other benefit than his own and how much can he labor for his own benefit?

When our country was young, its citizens worked for their own benefit. Now that the tax take on the average is 42 cents out of every dollar earned, the average citizen works only 58 per cent of the time for his own benefit. And the trend is continuing.¹

Threats to Progress

Today the greatest threat to personal liberty everywhere arises, not from aggressions by other nations, but from encroachments by governments upon the rights of their own citizens. If, overnight, all governments were compelled by some higher power to confine their activities solely to the protection

¹ The tax by all levels of government grew from less than 5 cents per dollar of personal income prior to the Civil War to 42 cents today.

of the lives, limbs, liberties, and honestly acquired property of their own citizens, the world would enter upon an era of peace, productivity, and spiritual and material prosperity. It is when those who control governments induce their citizens to support ambitious schemes for extension of their power on the international scene that controversy and wars result. It is clear that to avoid such disasters the constitutional limitations on the powers of government must be strictly enforced by the weight of an informed public opinion.

The great conflict of our day is between coercion of the individual and suppression of his creative energies by his own government on the one hand, as opposed to freedom of the individual acting voluntarily in obedience to the restrictions of God's moral code on the other.

In this conflict engineers have a unique responsibility because their education, training, and experience teach them the importance of fixed principles and immutable laws and the dangers which flow from ignoring or disobeying them. For example, the engineer knows that in electricity he is dealing with a powerful force which operates according to certain laws. It is his duty to know those laws. He knows that electricity, uncontrolled, can destroy and kill. But

when controlled and directed in conformity with the laws of nature it can be a powerful servant to mankind.

The engineer is, therefore, especially qualified to understand and to help others understand the great fundamental truth which is being ignored in human affairs today: that there are similar fixed and unchanging principles governing human nature and human relations in life on this planet. The forces of human nature, like those of the physical world, may be constructive, creative, and so directed that they will help build a better life for all; or they can be destructive and disintegrating, even to the extent of destroying the physical as well as the spiritual structure of a great civilization.

Undue Reliance on Technology

José Ortega y Gasset, the great contemporary Spanish philosopher, has pointed up the peril of ignoring the great moral and spiritual laws of which I speak. He said:

I wish it would dawn upon engineers that, in order to be an engineer, it is not enough to be an engineer. While they are minding their own business, history may be pulling the ground from under their feet. People believe modern technology more firmly established in history than all previous technologies because of its scientific foundations. But this alleged security is illusory.

Indeed, it is just this feeling of security which is endangering Western civilization. The belief in progress, the conviction that on this level of history a major setback can no longer happen, and the world will go the full length of prosperity, has loosened the rivets of human caution and flung open the gates for a new invasion of barbarism.²

Ortega has thus described the issue dramatically. We are too sure of ourselves, too complacent in a time of great danger. We place too much reliance on our technical skill, our command of natural physical forces and energy, and our matchless ability to produce. Intoxicated with pride in our achievements, immersed in the interesting problems still unsolved, we have left unguarded the gates through which are pouring those destructive hordes and forces of that "new invasion of barbarism" to which Ortega refers.

The Answer

The laws, the fixed and basic principles governing the development of the individual and his society, are as old as civilization. Some of those principles had to be discovered and practiced before man could start on his long journey from his status as a predatory animal toward the still far

distant goal of human perfection. Those unchanging spiritual and moral precepts designed by the Creator, discovered by inspired prophets of mankind, stated and restated for man's guidance through the ages, include the fixed moral absolutes of the Ten Commandments, the Sermon on the Mount, and the Golden Rule. These, in turn, require that if a man wishes to be free to use his faculties as he may choose he must accept personal moral responsibility for the manner in which he uses them.

The creative urge, implanted by God in all normal human beings, thrives under liberty. But liberty is possible only when individuals are self-reliant and conduct themselves toward each other in a climate of mutual respect and encouragement of those human qualities and forces which stimulate growth and maximum individual development. Dr. Felix Morley, political economist and author, states the case thus:

When the American people have been self-reliant, mutually helpful and considerate, determined in their mistrust of political authority, this nation has been "in form"; its tradition alive, its contribution to civilization outstanding.³

It is clear from the foregoing that the material blessings we

² *Toward a Philosophy of History*, pp. 103-105.

³ *The Power in the People*.

Americans have been enjoying are not self-perpetuating. They are premised on certain spiritual and cultural values which this generation did not create, which it inherited, and, as the record clearly shows, which it is losing. We are living off our capital. That is the quickest way to go bankrupt. And I am sure the stability of our social structure cannot long outlast the exhaustion of our spiritual and cultural capital.

I have spoken to you as an engineer. I have stated that the engineer's responsibility to the social order is magnified because of his education, training, experience, and his indebtedness to his professional forebears. I have voiced my conviction that only as we contribute to the creation and maintenance of a climate conducive to

social progress can we discharge the responsibilities imposed upon us when we entered our profession. In the larger sense, when we accept the emoluments and perquisites of that profession, we enlist as servants of society. If we are true to our heritage we must discharge our obligations as engineers and as citizens and, by our example, show the way for others who cry out for moral leadership in this time of national peril.

Without such dedication to the eternal verities of a free society, the tourist guides of some future generation may well recount, with traditional professional boredom, to their wide-eyed charges the story of how "pyramids" of great cost and no utility, were built by the engineers of the twentieth century! 

James Madison

IDEAS ON



LIBERTY

GOVERNMENT is instituted to protect property of every sort; as well that which lies in the various rights of individuals, as that which the term particularly expresses. This being *the end of government*, that alone is a *just government*, which *impartially* secures to every man, whatever is his *own*. . . . That is not a just government, nor is property secure under it, where the property which a man has in his personal safety and personal liberty, is violated by arbitrary seizures of one class of citizens for the service of the rest.

THE ART OF COMMUNITY

IT IS MANY YEARS since I met Spencer Heath, a bearded gentleman (he'd be right in style now) who had a delightfully free way of looking at things. Among his many theories was one which made the landlord the center of an ideal economic and political — or maybe one should say a-political — order. Mr. Heath's utopia was pre-Norman England, where, as his researches did much to prove, free men paid rent for productive land instead of taxes to unproductive politicians. It was Mr. Heath's contention that a landlord could sell, for market value, everything from police and fire protection to public utility services without plunging a community into serfdom.

Naturally, Mr. Heath encountered many doubters. His book, *Citadel, Market and Altar*, didn't make many converts. The world has wagged on since Mr. Heath died, and those who refused to listen to his theories haven't noticeably advanced the cause of freedom or improved the quality of our life. Since children aren't known for their pertinacity about carrying on the work of their fathers, a full generation has passed since Mr.

Heath started outlining his theories.

Now a grandson of Mr. Heath, Spencer T. MacCallum, has mounted his charger to advance the cause of his grandfather. Mr. MacCallum's book, *The Art of Community* (Institute for Humane Studies, Inc., P. O. Box 727, Menlo Park, Calif. 94025. \$4.00 cloth, \$2.00 paper), is a legitimate extension of *Citadel, Market and Altar*, and it may be more convincing to the pragmatists among us simply because it proceeds by exploring current trends to show how people unconsciously turn to good theory when the practices resulting from bad theory have let them down.

Mr. MacCallum is a trained anthropologist, which means that he can look at community organization without blinking. He sees an "art of community" developing empirically, spurred only by the efforts of people to make profits by supplying services that states and municipalities have fumbled with so badly. To those who say that a community must be political in nature, he offers hotels, shopping centers, industrial estates, real estate complexes such as Rockefeller Cen-

ter, condominiums, marinas, science research centers, and "new towns." Some of these combine individual private ownership with paying fees for the use of common lands or common services that are open to all participants in a community venture. But the point is that one can buy protection or transportation or access to a swimming pool or a playground without going through the often disappointing rigmarole of politics to get it.

The basis of the "art of community" is contract. Ordinarily one thinks of contract as something that binds separate individuals. Mr. MacCallum is not against the individual ownership of homes or acreage, but the defect of such ownership is that it can't ordinarily provide for police and fire protection and public utilities without bringing in the state. The atomized private plot is at the mercy of "neighborhood effects" which the purchaser never bargained for. Accordingly he may find himself abandoning some of his own rights as a private owner by accepting zoning regulations, or by giving a right-of-way to a gas transmission company under threat of expropriation by state invocation of eminent domain. Mr. MacCallum thinks individuals could get better bargains by combining their units to form proprietary communities with cen-

tral planning powers. The unreconstructed individual will bridle at this suggestion, but Mr. MacCallum quite soothingly insists that membership in a proprietary community must go by voluntary choice under contractual arrangements. One need not be forced to do anything; if one doesn't like the decisions of the proprietary authority, one can sell his own particular condominium, or refuse to renew his lease.

Mr. MacCallum contrasts the downtown shopping centers in our congested cities with the new-style suburban shopping areas to make his points. The downtown merchants may all agree that they need more parking space near them for automobiles. But no one of them will willingly allow his own property to be condemned to provide parking space for the other merchants in his association. The political arm must be called in to bust a few recalcitrants so that others may benefit. Naturally, this creates bad blood or political corruption or both. Since politicians live to be re-elected even more than they live to serve the community, they will do not what is aesthetically right but what is necessary to get the most votes the next time around.

In the suburban shopping center, the proprietor can make whatever decisions he wants, provided he doesn't break one of his contrac-

tual promises. The proprietor sells a variety of services to those who like them well enough to make contracts to pay for them. The services can include parking, roads, lighting, landscaped common areas, police and fire protection, storm sewers, even sewage disposal.

Mr. MacCallum offers some fascinating bits of history of a sort that doesn't usually get into the standard history texts. I'd like to know more about such characters as James B. Douglas, the pioneer of the Northgate "regional" shopping center in Seattle, who first worked out the theory of the "cumulative pull." Douglas began by insisting on the "Noah's Ark Principle" of supplying two competitors for every type of good that a shopping center had to sell. (Today the rule is obsolete; two are no longer adequate.)

Then there is Edward H. Bouton of Baltimore, whose Roland Park development provided for orderly residential planning adjacent to a shopping center. The pioneer of the industrial estate seems to have been Marshall Stevens, who built a ship canal from Liverpool to Manchester only to discover that the cotton millers, who had marriage ties with the cotton shippers of Liverpool, disdained to use his waterway. To save his canal investment, Mr. Stevens prepared a large

tract of land in Manchester for industrial use, putting in the streets and supplying the utilities. He leased the land to various industrialists, thus creating Trafford Park, England's first proprietary industrial park.

In their own way such pioneers as Bouton, Douglas, and Stevens were practitioners of Leonard Read's "anything that's peaceful" philosophy. They were communarians rather than individualists, but they did not bring in that engine of compulsion, the state, to solve the problems of group living that they posed.

It is hard to see the whole world being saved by the development of proprietary communities. Some people want a more complete type of privacy than is to be found in planned estates of one type or another. But the world could only benefit by a vast extension of the sort of thing that engages Mr. MacCallum's enthusiasm. As long as he sticks to contract as the binder in his "art of community," no individualist, whether unreconstructed or not, can find fault with his theory. His book on the proprietary community is stimulating, and even the most obdurate live-alone-and-like-it individualists among our depleted tribe of voluntarists would do well to read and ponder Mr. MacCallum's conclusions. 

the Freeman

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the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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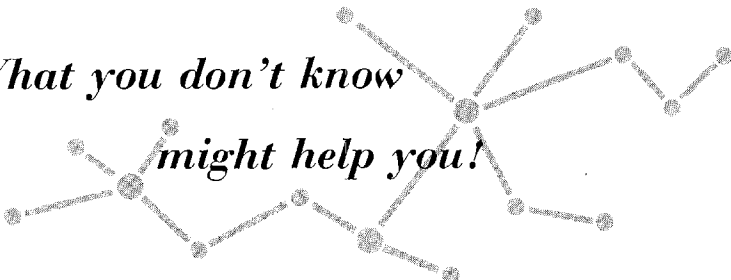
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What you don't know might help you!

EDMUND A. OPITZ

THE PRACTICE of liberty in human affairs is an acquired skill and, like every other skill, the practice of liberty must be learned. Imagine a ballet performed upon a stage and involving a dozen dancers. Each dancer must perfect various motions and then learn a routine of steps so that the ensemble creates a moving work of art before our eyes. The dance must exhibit a pattern, else the performers — however skilled individually — would simply get in each other's way. The practice of liberty includes the knack of keeping out of each other's way, thus giving free play to the natural forces of social cohesion.

There is an aspiration toward liberty inherent in our very being; it's a corollary of the fact of

our individuality. But this potentiality is not realized unless we learn techniques for expressing it. Liberty has to be learned — as well as earned — and like every other skill we acquire, it may be lost. The circus juggler who has learned to keep six plates in the air must work constantly to refine and improve his skill or he begins to lose it. And it is the same with liberty; liberty may be unlearned, and the unlearning of liberty goes on at a constantly accelerating rate in our time. Perhaps we'd know why, if we knew more about the learning process itself.

Every one of you who plays golf, or bats a tennis ball, or bangs away on a piano has moments of frustration. It's not the occasional bad shot or wrong note that causes the irritation; it's the fact that our progress is so uneven. There's such a thing as be-

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ginner's luck, and it may be that after our first golf or tennis lesson we surprise everyone by making a number of good shots. And so we approach the second lesson with expectations keyed high — only to fall flat on our face. Everything goes wrong. We may experience similar frustrations in the course of the next several lessons, and then something seems to click. We hit the ball, and it *feels* right. Enthusiasm flares, but the improvement doesn't last. Or, if it does, we seem to bog down again on this level. Sometimes there's a slump; but if we persist there is eventually another breakthrough, and then the struggle to consolidate our gains goes on once more.

All learning takes place in somewhat this fashion. The psychologist speaks of "plateaus of learning," and if you draw a graph it will resemble a profile of a staircase with deep treads and low risers. The line does not show a steady rise; instead, it shows the learner slogging away on one level, and then a breakthrough to a higher level; more slogging, another breakthrough, until we reach our potential.

Unlearning is as much a part of life as learning. Sometimes we want to unlearn, but there is also the all-too-common involuntary unlearning of a skill we'd like to

retain. The great pianist, Paderewski, once remarked that if he went a day without getting in his customary hours and hours of practice, *he* knew it. If he went two days without practice, the critics knew it. If he went three days, his friends knew it. Athletes have the same problem; once they've reached a peak and then lost it, the comeback trail is rough. Similar difficulties beset all human affairs.

Liberty in Our Time

Our subject is human liberty, and the fate of liberty in our world. When this country was young, the accepted belief was that men were by nature free, and that governments were instituted among men to secure that freedom by defending the rights of all men alike. "The God who gave us life gave us liberty at the same time," wrote Jefferson. Liberty now, in the twentieth century, is viewed as a permissive thing, to be exercised by the citizen at the discretion of his political masters within the lines laid down by the government. Liberty, once regarded as a birthright, now partakes of the nature of a political favor. The ways of liberty once learned by some of our ancestors, and in some measure applied by them in actual practice, were unlearned by other forebears of

ours. And a good deal of learning and unlearning has been going on in this generation, perhaps even by us.

If we examine the learning process more carefully we realize that there's more to it than conscious effort, important as this is. A great deal of learning takes place behind the scenes, below the level of consciousness. We are learning between one practice session and the next. It is not by a mighty effort of will that you move from one plateau to another; if you practice correctly, the breakthrough will be accomplished for you. Here's an illustration of the way it works, taken from the writings of the great French mathematician of a generation ago, Henri Poincare.

Poincare on Insight

Poincare was stumped by a certain problem, and for fifteen days spent an hour or two a day trying to work out a proof, with no results. Then, "one evening, contrary to my custom, I drank black coffee and could not sleep. Ideas rose in crowds; I felt them collide until pairs interlocked, so to speak, making a stable combination. [I dozed off, and] by the next morning I had established the existence of a class of Fuchsian functions. . . . I had only to write out the results. . . . The idea came to

me, without anything in my former thoughts seeming to have paved the way for it."

Poincare is credited by other mathematicians with several important breakthroughs, which occurred in the manner described, in the form of sudden illuminations. These insights, he says, are "a manifest sign of long, unconscious prior work. The role of this unconscious work in mathematical invention appears to me uncontestable." There's a condition — persistent prior work. Breakthroughs "never happen except after some days of voluntary effort which has appeared absolutely fruitless and whence nothing good seems to have come, where the way seems totally astray. But these efforts have not been as sterile as one thinks; they have set agoing the unconscious machine and without them it would not have moved and would have produced nothing."

Genius, as someone remarked, is 90 per cent perspiration and only 10 per cent inspiration. Sir Francis Galton, who did the pioneering studies of genius about a century ago, observed that his subjects were bigger, stronger, and more energetic than average men and women — otherwise they couldn't have performed the required prodigies of work.

The achiever, then, knows how

to apply the pressure, and how long. He also knows that there is a time to let up, to relax the conscious effort and let a deeper wisdom take over. If we may use the word Application for the first stage, we might call this second stage Incubation; ideas apparently must ripen before they can hatch. In order to successfully negotiate this stage of learning — the period when nature takes its own course — we must practice the difficult art of letting things alone — which is quite different from doing nothing. Albert Jay Nock, who edited the old *Freeman*, from 1920 to 1924, had a stable of bright young writers under his editorial command. One day a friend said to Nock, "Albert, it's wonderful what you have done for these young people." "Nonsense," Nock replied, "all I've done is let them alone." "That may be so," was the response, "but things would have been different if some one else had been letting them alone."

The Notebook of Coleridge

The mind has a front end or top layer, and we consciously feed data into this part of our mind through our eyes and ears, by observation and experiment. Then the raw data of experience is mulled over and reflected upon. We talk it over with colleagues,

argue it out with opponents, write it up, act it out. And all the while, learning is taking place. At the proper moment we shift gears and put the subconscious mind to work on the material the conscious mind has prepared for it. And if the conscious preparation is adequate, the rest of the job is taken care of with a finesse and expertise that is simply astounding.

Let me cite the case of Samuel Taylor Coleridge, one of the supremely gifted poets of our language. Apart from his published works, Coleridge left a notebook in manuscript, in a kind of shorthand, recording his reading and his observations. This notebook forms the basis for a classic study of Coleridge, really a study of the workings of the imaginative energy itself: *The Road to Xanadu*, by John Livingston Lowes. Incidents and phrases got into Coleridge's notebook and thence into his subconscious mind, to be transformed there by his genius, taking final shape in his poetry. "Every expression of an artist," writes Lowes, "is merely a focal point of the surging chaos of the unexpressed. And it is that surging and potent chaos which a document like the Note Book recreates." The word "chaos" here is not used with connotations of confusion or randomness; chaos is a term for the teeming, primordial

raw material which challenges the artist to shape it into forms of beauty by the power of his imagination. "Unless a man has a little chaos in his soul," wrote Nietzsche, "he'll never give birth to a dancing star."

The Subconscious

Below the level of conscious mental activity there are deeper layers of the mind, and an enormous amount of hogwash has been written about the subconscious mind, some of it by amateurs but a lot of it by medical men engaged in the practice of psychiatry or psychoanalysis. I have been suggesting, by the two examples I have cited — Poincare and Coleridge — that the mental processes which occur behind the scenes are mighty allies, able to accomplish beneficial results we could achieve in no other way. The subconscious mind is the silent partner of our rational faculties, wise and trustworthy. Turn to the popular literature of psychoanalysis, however, and the picture is quite different. There, one gets the impression that only the conscious mind is *us*; that each of us is shackled to an idiot; that the subconscious mind is a mere collection of drives, impulses, and emotions; that this unconscious part of us tyrannizes over our rational faculties and must be squelched.

Why these conflicting views? The main reason is that psychiatrists deal with sick people, and the subconscious mind of psychopaths may very well be as psychiatrists describe it. Geniuses and normal people do not ordinarily wind up in psychiatric clinics, and clinical findings, therefore, do not pertain to great poets and mathematicians — or to normal people.

We are not talking about achievement without tears, or learning while you sleep, or awakening your hidden powers. There are no short cuts. But we do have the assurance that if our conscious thinking is sound, persistent, and hard, our subconscious mental processes will cooperate to mobilize the constructive forces that bring about the final result.

The capacities of the human mind are almost limitless, and those of the human body are only slightly less so. The incredible feats of endurance, strength, speed, and skill that we witness on track, field, arena, and stage are beyond most of us. Only a handful of people will ever run a four-minute mile, no matter how hard they train, or win the heavyweight championship, or break 65 at golf, or perform on a trapeze, but almost anyone who wills to do so can play a good game of golf, or develop unusual strength, or

multiply his endurance. The recipe is the same as that for acquiring mental skills — an alternation of hard workouts with rest, or Application followed by Incubation. Endurance, strength, and skill improve even when you do nothing — provided you preface the quiet time by intense effort. This physical partner of ours has enormous potential in many directions, but few people ever realize their potential. When reasonably fit, this physical partner of ours displays a remarkable wisdom in its workings. Through its organs of sight, hearing, and touch we are properly oriented toward our physical environment. There are two other sense organs: The sense of smell is not as important to us as to other creatures, but we know how important his taste buds are to an infant. I think it was Gerald Heard who suggested that a baby's motto might be: Seeing is believing, but tasting is knowing.

The Amazing Human Body

This body of ours performs sophisticated chemical operations with the raw material we take in as food, distributes nourishment to the tissues that need it, carting off the waste products. Chemical balances are maintained, temperature is regulated, foreign bodies are neutralized, wounds are healed — and all this is done quietly

without fuss or stress, unless we interfere. We are “fearfully and wonderfully made,” and the body performs miracles daily. There's a genius down inside us. The most awe-inspiring performance of that genius is the masterwork he accomplishes before we are born. The eminent biologist, Hudson Hoagland, delivered a paper at M.I.T., in 1967, in which occurs this passage: “Frank Crick has estimated that the amount of information contained in the chromosomes of a single fertilized human egg is equivalent to about a thousand printed volumes of books, each as large as a volume of the Encyclopedia Britannica. This amount of coded instruction packed into the size of a millionth of a pinhead is the remarkable material which transmits information from parent to offspring to tell the next generation how to make a person.” Each one of us passed that test, else we wouldn't be here.

A skilled adult scientist in an expensive laboratory gets a do-it-yourself kit with various amino acids, colloids, and protein molecules. He combines these in a certain way and exposes the compound to electrical currents for a week or so. And then, for a short time his concoction appears to exhibit some characteristics of life. The scientist gets headlines. But

each of us, when no more than a tiny speck, was brilliant enough to manufacture a person! Stupidity, of course, sets in shortly after birth and full recovery is rare.

Work and Wait

Learning something, whether it be the mastering of a new subject matter or the acquiring of a new skill, is more than conscious effort. Conscious effort is an indispensable part of the total learning process, however, for it is the spark that gets the machinery going. Learning is a dual process. It reminds us of an iceberg with much of its bulk below the surface. Go about the topside matters correctly, and events of great importance take place below the waterline without any human agency directing, controlling, or managing them. This is a fact of great significance, to be taken into account in deciding the nature of this universe in which we find ourselves: *Things work for our benefit if we know how to cooperate with them and otherwise let them alone.*

The art of letting things alone applies to the complex interactions we have with nature. Each spring we are impressed anew with the exuberance of the earth, by its fruitfulness, its hospitality to the endless variety of living forms. Men poke seeds into the

ground but plants grow by interacting with nonhuman forces; "God giveth the increase," as a pious old poet said. Make preparations of the right sort, work hard, and the good earth cooperates by focusing nature's powers of growth to put a multiplier onto your efforts. We have to overcome natural obstacles, but we enlist the help of natural forces to do so. "A mighty help in our contest with nature," writes Böhm-Bawerk, "is nature herself."

The Invisible Hand

Move now into our final example, which has to do with society and the economic order. Remember Adam Smith's famous metaphor of "the invisible hand"? What was the problem he sought to explain? He observed countless millions of people in the different nations of the world, engaged in thousands of different occupations and trades, each busy with his own affairs, pursuing his own aims. But what is the result of this seemingly chaotic situation? The result is an orderly transfer of goods and services; people are fed, clothed, and housed; the wealth of the world is brought within reach of all who enter into these multiple transactions. There is a marvelous harmony in this situation, just as if some invisible hand were guiding each per-

son to produce the kinds and quantities of goods the market is calling for. It is the result of human action but not the execution of human design. The right kind of human effort in the market place enlists the help of an other-than-human intelligence. Anyone who has looked into the economic order must marvel at the intelligence displayed in the way the market works — intelligence manifesting itself in the precise adaptation of means to ends throughout the system. Yet no human agency is putting people through their paces; there is a spontaneous order which arises when men obey a few moral rules and otherwise act in freedom. Why do things happen this way? Because it's that kind of a universe!

Three-quarters of a century after Adam Smith, Frederic Bastiat mused over the miracle of the provisioning of Paris. Here are a million human beings who do not grow their own food, nor do they make most of the things they use. Yet food and other necessities appear as if by magic! No Napoleon commands these movements. "What, then, is the ingenious and secret power which governs the astonishing regularity of movements so complicated?" Bastiat asks. And he answers his own question, "That

power is an absolute principle, the principle of freedom in transactions."

I have been stressing the point that there is wisdom and intelligence directing the events which happen below the surface, or below the level of conscious action. This is not to diminish the importance of willed effort; it is to suggest that we have to know when to let up and let go, trusting the forces of growth and cohesion we find at work in our bodies and minds, as well as in nature and the market. This willingness to take the plunge is a matter of mood — a mood of faith or confidence or trust or belief that the universe is on our side. But just as Adam Smith was writing his masterpiece a new and hostile mood was emerging in Western nations.

The Age of Enlightenment

The eighteenth century is referred to as the Age of The Enlightenment. It was a period of great *overreaction* to the ages of religion, a time when Man with a capital M was exalted into a god, able to fashion men in his own image. It was an age of optimistic rationalism, with all mysteries resolved. It was the age of the Rights of Man, confident of its power to wipe out an old society and manufacture a new

one at will. A take-charge mood came to dominate many minds, a managerial mentality. The idea was that the world would fall apart if *we* stopped holding it together; things wouldn't work unless *we* made them work; everything was defective and had to be patched up, rigged out, put into functioning order.

This was the mood of the men who engineered the French Revolution, the rootless intellectuals of the day; but the mood was infectious and it has spread all over the globe, seeping into and out of every sector of life. It seeped into the theory and practice of medicine about a century ago. Certain medical theorists examined the human organism and found it a crude contrivance of pipes, tubes, levers, and dead weight. This botched mechanism could be kept going only if someone constantly patched and repaired it. Writing of this antiquated medical theory, an historian says: "This held that the body was a faulty machine and Nature a blind worker. The student made an inventory of the body's contents and found, as he expected, some out of place, some wearing out, some clumsy make-shifts . . . and some mischievous survivals left over." Medical practice, based on this theory, was to interfere with the body's working

by probing, operating, removing, and altering. The practice often proved disastrous to the patient! Today's medical theory is quite different.

The Managerial Mentality

The managerial mentality gets into philosophy, and is especially marked among the Existentialists. One of them writes: "Being a man is deciding what man will be. . . . Man remains the author of his own destiny, the creator of his own values." Philosophy used to be the pursuit of truth for its own sake. No longer. The contemporary philosopher aims at knowledge for the sake of control. The primary target of the controllers is, of course, the economic order. The free market must go.

When this managerial mentality, this take-charge mood, pervades a society, it will kill the free economy where it finds it, or prevent it from emerging in countries which don't have it. When the mood is to manage, you'll have a managed economy, because everyone lacks confidence that the economic machinery will operate — unless it is directed, controlled, and planned. The belief is that some human agency must be in command or nothing will function. Social engineering is the order of the day; society is to be master-

minded by men waving blueprints and armed with powers of enforcement. Nobody is to be left to his own devices; everybody is to be assigned a task so that society can be operated with mechanical precision.

But men are not robots or puppets; they have the gift of free will, and most people choose *not* to be the tools of other men — when they understand the issues. When they find themselves trapped in situations which demean their humanity they rebel, and their rebellion takes various forms. The rebellion sometimes moves in the direction of freedom, but more often the rebellion is just as mindless and bizarre as the things revolted against.

Ideas Come First

I have suggested that a false ideology has been percolating into Western societies for two centuries or more. How is it, then, that things appeared to go so well for a while — that is, during much of the nineteenth century — and only in our time has the situation gone to pieces? Well, the impact of ideas is never felt immediately. Imagine, if you will, that history is like a huge pipeline; like the Big Inch, say, which brings oil from Texas to the eastern seaboard. If a batch of oil is pumped into the western end of

this line, and if it travels at twelve miles per hour, it won't reach New York until about a week later. Ideas work the same way; put them into the pipeline of history and it may be a generation or a century or longer before they surface.

Go back two millennia to the dawn of our era. The Roman Empire was authoritarian, and the new ideas about God and man and life promulgated in the Gospels largely disappeared into the pipeline — so far as their impact on the history of the first several centuries was concerned. The Roman Empire went from bad to worse and finally fell, and Europe was in a bad way for hundreds of years. The Middle Ages was a turbulent period whose major religious thrust was a blend of Caesarism and Christianity. A new style of personalistic Christianity emerged in the sixteenth and seventeenth centuries, the period which also saw the beginnings of Puritanism in England. The political arm of the Puritans was the Whig Party, whose later spokesman was Edmund Burke, and which became the Liberal Party in the early nineteenth century. Ideas were coming out of the pipeline, especially in nineteenth century America, where we enjoyed more religious, political, and economic

liberty than any people hitherto. We were reaping the harvest of sound ideas put into the pipeline over the course of many centuries—including some brilliant ones added since *The Wealth of Nations*. We might mention *The Federalist Papers*, the writings of Burke, Mill, Bastiat, and Spencer, plus the important contributions of the Austrian School from Böhm-Bawerk to Mises which have refined and extended the science of economics with meticulous care, establishing its main points beyond dispute. In short, there are some good ideas in the pipeline in 1970, and if we keep on stuffing more of them into the near end they are bound to emerge in due course.

A Preponderance of Socialist Literature in the Past Century

But such good ideas as went into the pipeline during this period were overcome and nullified by the virulence and sheer bulk of the bad ideas. From the time of Marx to the present day the socialists and communists have written a hundred books for every book written by a libertarian or conservative, plus a thousand pamphlets; and whereas the socialists and communists offered a contagious vision of a new life for humanity, their opponents countered with the promise of two

cars in every garage! It is bad that we have been losing in such a lopsided contest, but it would have been worse if we had won.

There are some good ideas coming out of our side of the pipeline, and they are getting better. But they are not good enough for the task at hand. They have taken on some of the protective coloration of the collectivists with respect to the ends and aims of human life, objecting merely to collectivist means.

The Jacobins promise to manufacture a new society from scratch and, with democratic controls on scientific power, bring about a heaven on earth—meaning the City of Man in which everyone is well-housed, well-clothed, and well-fed. All too frequently, defenders of the free market have responded: The City of Man is our goal, too, but we can show you how to have better housing, superior clothing, and tastier food! The fact is that the struggle goes deeper than economics; two ways of life are in conflict. You don't win a battle for the minds of men by promising to fatten their pocketbooks. You might say that if a man's heart is empty because life has lost its meaning, the full belly argument turns his stomach!

Two ways of life are locked in combat, so let's engage in some

self-examination and self-criticism in order to raise our sights and change the terms in which the contest is viewed. Shifting gears, we begin with a solemn observation by the eighteenth century philosopher, George Berkeley, after whom a certain university city on the coast was named:

He who hath not much meditated upon God, the human mind, and the supreme good, may possibly make a thriving earthworm, but will most indubitably make a sorry patriot and a sorry statesman.

Raising Our Sights

What do these three ideas — God, mind, and the supreme good — have to do with the free economy? I think I can demonstrate that they have a lot to do with it, and that unless they are taken into account, economic liberty is a vain hope.

The idea of God has to do with the ends or goals for which human life should be lived. The old catechism said that the chief end of man is to know God and enjoy him forever. But most economists have told us that economics is a value-free science, that it is neutral as to ends. Let men dedicate their lives to any end that catches their fancy; to the economist it's a matter of indifference. This is a typical line taken by economists,

and it contains potential disaster for the free economy. Suppose the chosen end is power. Many men dedicate their lives to the concentration of political power in society, and then scheme to get that power into the hands of themselves and their party. Every minor success by the power-hungry nullifies the free economy at some point. It is suicidal for the economist to declare that his discipline is indifferent as to what ends in life men pursue.

Or take wealth. Suppose a significant number of men agree that the pursuit of wealth is the chief end of man. Making money in the free economy is laudable enough, being a token that you are providing people with things they want. But if money-making is accepted as a man's chief end then any means are justified if they further this end. The free economy is more productive than any other — on the whole; but you cannot promise any given individual that he'll better his own circumstances in the free market. Many people can do better for themselves if they operate a racket. Congresswoman Edith Green of Oregon has made a calculation which shows that a welfare mother with four children could in one year net \$11,698 of relief funds; double the number of children and the ante is upped to \$21,093. But

this is peanuts compared to the subsidies some slick operators can get by political finagling. Proponents of the free economy will continue to lose unless human life is geared to the goals proper for man, and this makes the God concept a live issue.

Goals Proper to Man

Well, it may be asked, what are the goals proper for man? It is obvious that there is no pat, copy-book answer to a question of this magnitude; what is important is that this question continues to be asked and that it can be wrestled with unceasingly. Albert Jay Nock addresses himself to the problem when he speaks of "man's five fundamental social instincts." He charges that only the instinct of expansion and accumulation, that is, for power and wealth, has had free play during the past century and more, while "the instincts of intellect and knowledge, of religion and morals, of beauty and poetry, of social life and manners, were disallowed and perverted."

There are many facets to human nature and we cannot afford to neglect any. The English philosopher, C. E. M. Joad, writes as follows.

For a guide to the demands of our nature we should refer to the pursuits of our fathers. For what mankind has done uninterruptedly for

thousands of years we may be assured that there is a natural itch in the blood. In all ancestral and customary pursuits, then, we should indulge, but in none of them overmuch. We should pray a little, fight a little, play a little, dig a little in the ground, and go on the sea in ships; we should make love, speak to our fellows in public, and expand in the company of our friends in private. Above all we should recognize that we have an instinctive desire for occasional solitude, and a need for country sights and sounds.

The Nature of the Mind

Berkeley's second point has to do with the nature of the human mind. Is the mind a mere offshoot of the brain or a tool of survival or an instrument of adaptation to society? In which case we are born, marry, work, die, and that's the end of us. Or is the manifestation of mind in each of us more than a mere adjunct to the brain and nervous system; is it something that endures when its physical partner perishes; is it an immortal essence? This is an issue which philosophers have debated for centuries, but I raise it here only because of its bearing on the free economy.

Shakespeare wrote of "this blessed plot, this realm, this England." That was nearly four centuries ago; a dozen generations have lived and died since those

lines were penned, but hundreds of years ago men were proudly conscious of living in a nation with a long history. And today they boast that "there'll always be an England." The nation endures; individuals perish. The nation existed before any of us were born, and it will continue in existence after everyone here is dead. You hop aboard this ongoing reality, last out your three-score-years and ten, and that's the end of you. Suppose this version of the way things are is widely accepted, and suppose you find yourself out of step with the nation's consensus — as many of us would be at odds with today's establishment. If you — a fleeting fragment of an ancient and enduring nation — challenge the nation's consensus you would not only be pitting your puny self against your contemporaries but tackling past centuries and future generations as well. The encounter would be somewhat lopsided!

But there is another interpretation of the way things are, and according to this wiser reading of the human situation, kingdoms rise and fall, nations come and go, civilizations finally crumble, but the person is forever. When there are firm convictions along these lines the individual has an enormous leverage against any majority, any society, any nation.

The nature of the human mind is a vital political question.

Human Motivation

Berkeley's third idea has to do with human motivation. What is man's supreme good? The traditional answer was: To please God. Since the eighteenth century the answer has been: The supreme good is to please yourself. The thing gets pretty fatuous in the ideology of some would-be defenders of capitalism who try to tell us that the aim of life is to please customers! What were our ancestors driving at when they spoke about pleasing God? Let me try to frame an answer in contemporary terms.

I have pointed out that each of us, in his prenatal stage, knew how to manufacture a baby. Quite a stunt! But the full stature of humanity is an achievement, not an endowment; all that being born confers upon us by way of natural endowment is the plastic and sensitive raw material needed for evolving a human being. Finishing the job is up to us, and it will take us a lifetime to do it — if we do it at all! Before birth we had the advantage of working by instinct: the formula was inside us. But after birth we have to look for a recipe outside, that is to say, we must look for a set of rules which are written into the nature

of things. These rules for completing our growth are what our forebears spoke of as God's laws or Commandments. By discovering and obeying these commands, each of us furthers his own purposes and completes his own nature.

The Road to Chaos

When men cease to believe in an objective set of rules, then each person tries to make up his own rules as he goes along; he tries to please himself by "doing his own thing." But this is like trying to play baseball when each player decides for himself how many strikes are out, or whether to run bases clockwise, or whatever. "Doing your own thing" doesn't work out, for, if no external standards are acknowledged, the weak doing their thing are at the mercy of the strong doing theirs; the honest entrepreneurs doing their thing are at the mercy of political finaglers doing theirs; those who want to be let alone are harassed by those whose thing is meddling. Throw away the rulebook and chaos ensues. Putting the rules for living in the order of their priority is a live issue for the freedom philosophy. We have neglected this philosophical framework; and collectivist ideology, taking advantage of our neglect, has crowded into the vacancy.

Nature on Side of Freedom

It is encouraging to know that the nature of things is ultimately on our side. The aberrations we face are against the grain of things and will fall of their own weight—if we don't misguidedly prop them up. Does the opposition seem strong? Well, said Disraeli, "the dominant philosophy in any age is always the one which is on the way out." Collectivism in our time has changed into nihilism, and nihilism is as far as you can go into a dead end. From there, the way back is the way ahead.

The collectivism which has come to full flower in the totalitarian nations, which is growing in all countries, including our own, is a plague that reminds one of the witchcraft mania of the sixteenth and seventeenth centuries. How was that disagreeable episode transcended? Not by antiwitchcraft crusades nor by social pressures on behalf of civil rights for witches; witchcraft crawled back into the woodwork when it was confronted by a quite different tactic. Aldous Huxley, discussing the period, says "the theologians and inquisitors . . . by treating witchcraft as the most heinous of crimes, actually spread the beliefs and fostered the practices which they were trying so hard to repress. By the beginning of the eighteenth century witchcraft had

ceased to be a serious social problem. It died out, among other reasons, because almost nobody now bothered to repress it. For the less it was persecuted the less it was propagandized." A new understanding of the nature of the cosmos, a new world view, began to gain acceptance in the eighteenth century, and witchcraft, finding no foothold in it, withered on the vine.

Great Changes Come Slowly

History has a number of great turning points. We may not be able to agree on matters of historical causation, but all students are unanimous on one point: these great changes were in the works a long time before their effects were manifested on the surface.

In Victor Hugo's great novel *Les Miserables* there is a dramatic account of the Battle of Waterloo, after which Hugo reflects on the cosmic dimensions of that battle. "Why Napoleon's Waterloo?" he asks, "Was it possible that Napoleon should gain this battle?" We answer No. Why? Because of Wellington? Because of Blucher? No; because of God! Bonaparte victor at Waterloo—that was no longer according to the laws of the nineteenth century. Another series of events was preparing wherein Napoleon had no further place. . . Napoleon had

been denounced in the infinite and his downfall was resolved. He bothered God. Waterloo is not a battle; it is the universe changing front."

A novelist may be allowed his liberties, but Hugo's main point is clear; every event on the surface of history has been manufactured at a deeper level by human initiative and intelligence co-operating with cosmic energies.

Whenever people of our general persuasion get together to assess the world scene the discussion sounds like an inquest; things are not going our way; the freedom philosophy is in disrepute, and things have fallen apart faster in recent years than any of us would have dared predict. Judge the events of our time from the newspaper or journalistic level and the mood is despair. But we know on second thought that many good and important things are happening at deeper levels. Probe below the surface and there are signs of hope. There are good things in the pipeline, and also good people.

It is difficult to assess the significance of contemporary events, although wisdom after the event is easy. Hindsight tells us that the voyage of *The Mayflower* three and a half centuries ago was one of the most important voyages in history, but few people of the time were even aware

of it. It was just another trip for the seamen involved, writes William Baker, the naval architect who designed the present *Mayflower* after much research. Even the name, *Mayflower*, was a common one for merchant vessels in the seventeenth century, and the boats hired by the Pilgrims "were merely common traders." Baker researched the Port of London records and traced the voyages of "*The Mayflower*, Christopher Jones, Master," from August, 1609, to October, 1621. There are no entries for the year 1620. The Port of London official deemed this voyage to the New World not even worth recording! Nor is the name of their ship recorded by the men of the Plymouth Colony until 1623. The celebrated Bradford manuscript, written by the man who governed Plymouth Plantation during most of its first thirty-six years, was missing for generations and not published in full until 1856. Several centuries went by before the Pilgrims assumed their rightful place in American history.

A Vast New Outpouring of the Literature of Freedom

The events that disturb us today have been long in preparation; and the events that will correct these disturbances are in the making right now. They are, for example,

in the books now being written and read. There are now about one hundred titles listed in the FEE book catalogue. Apart from the handful of classics, every book in this list has been written since the end of World War II! Almost as many more books by brilliant libertarian and conservative thinkers have appeared during this same quarter century which are not included in the catalogue, and the writers of our side continue to provide a steady stream of material presenting the case for the free society.

People on our side didn't write these kinds of books during the 1850-1950 period; their creativity went into other channels. They were doing the work of the world while the socialists were writing the books. Our people were exemplifying the accomplishments of a society which at least gave lip service to the ideals of freedom, while the socialists were writing millions of words to extol the planned life and forming all kinds of organizations to bring about a collectivist order. Our forebears probably believed that the free way of life is its own rationale, but it is not so. Good deeds are not enough, we must supply a reason why. And that is just what is happening today, as libertarian and conservative literature pours off the presses.

The Inherent Stability of the Masses

There's something else below the surface of today's events, ready to be engaged in our cause, and that is the solid core of decency and common sense in the mass of men, covered over now and again, confused, but waiting to be enlisted. One often hears the despairing question, How can we win the masses back from liberalism? That's not our problem; the masses have never been converted to liberalism! To become a real liberal you have to go to graduate school! The average man, the man in the street, is not our problem. He may be mean, shiftless, ignorant, and a wife-beater when drunk, but he is not a collectivist and he is here by the millions, waiting to pin his emotions alongside the flag and cheer for the home team. Cardinal Newman was right: "There is always in the multitude an acknowledgment of truths which they themselves do not practice."

When our side gets good enough, the multitudes will swarm in our direction.

We have a real mess on our hands, but no one can say it is not richly deserved. For the past couple of centuries we have bull-headedly made a wrong choice at every opportunity. We have discarded the tried and true and let ourselves be seduced by the myths of an immanent utopia. We have embraced phony values and followed phony leaders. And in consequence of our folly things are in a bad way, but not as bad as they might be. Things aren't as bad as they would be if Reality were neutral. It is our great good fortune that the nature of things is on our side, on the side of freedom, that is; and it's the collectivists' tough luck that their program goes against the grain. There are forces in us and in the universe which make for growth and cohesion; unobstructed they make for liberty. Let's join 'em!

***No Productionism, No Consumerism***

IDEAS ON



LIBERTY

CONSUMERISM is based upon productionism; before there can be consumers there must first be producers. There's no better way to serve consumers than to reward and encourage producers.

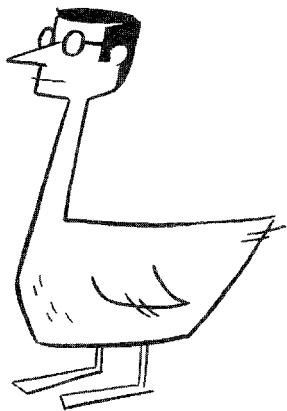
Regulations intended to restrain disservices become in themselves the worst kind of disservice when they restrict the producers' freedoms to serve consumers and the consumers' freedom to be served by the producers.

Taxes, more than anything else, keep consumers from ever getting their money's worth.

J. KESNER KAHN

GOOSE OR CITIZEN?

GRAHAM SCOTT



PERHAPS you've had an experience like mine. You've been arguing over socialism for about an hour with someone, and you finally concentrate all your powers of persuasion on the proposition that socialism will destroy individual initiative. Then, without a moment's delay, comes the socialist rebuttal: "But we don't intend to kill the goose that lays the golden eggs."

Reassured? Fairly certain that under socialism things won't be all that bad? Well, think again.

(1) The promise, sincere as it is, is simply that the goose that lays the golden eggs will *not be killed*. This is cold comfort if you happen to be the goose in question. I mean, you might want to

hatch one or two of those eggs, but the only promise you've got is that you won't be killed. Now by the time you've spent most of your life laying egg after egg, death might just seem like a welcome release, but there is this sincere promise that they won't kill the goose that lays the golden eggs. Some promise, some reassurance!

(2) The promise is also that the *goose* that lays the golden eggs will not be killed. You might ask yourself if you are a goose or a citizen. Are you satisfied with being treated like a bird whose fate is decided for him, or would you rather be regarded as a man? You know, when people start talking about you as if you were an animal, you'd better let them know that you're a human being, free and responsible by nature. You're no man's creature; and although

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you don't produce golden eggs, whatever you do produce belongs to you by right.

(3) The socialist promise includes this business of not killing the goose that *lays* the golden eggs. Now a goose lays eggs because that's its nature, and I suppose the goose that lays golden eggs does that by nature too. But your professional or entrepreneurial skills do not come naturally. If they did, we'd all be millionaires overnight. In fact, professional and entrepreneurial skills come from the hard work called learning and from a lot of persistence when the going gets rough, not to mention the self-control and intellectual judgment that are essential for any successful enterprise. Although most people are capable of learning, persistence, self-control, and good judgment, the fact

is that there are those who could but don't and there are those who *do*. This difference is usually that of extraordinary effort. Those who do, make the effort; those who could but don't, do not make the effort. And to make an extraordinary effort a man needs an incentive, and the less the incentive the less effort a man will make.

(4) Not being killed is sorry compensation for the kind of effort required to learn and to practice professional and entrepreneurial skills. In a free society it is no reward at all, because free men expect a positive reward for their efforts, not the negative assurance that they won't be done away with. In other words, the goose that lays the golden eggs may be just a fairy tale, but being treated like one in real life is definitely for the birds. 

Alexander Hamilton

THE SACRED RIGHTS of mankind are not to be rummaged for among old parchments or musty records. They are written as with a sunbeam, in the whole volume of human nature, by the hand of Divinity itself, and can never be erased or obscured by human power.

This is what is called the law of nature, which being coeval with mankind and dictated by God himself, is, of course, superior in obligation to any other. No human laws are of any validity if contrary to this. It is binding over all the globe, in all countries, and at all times.

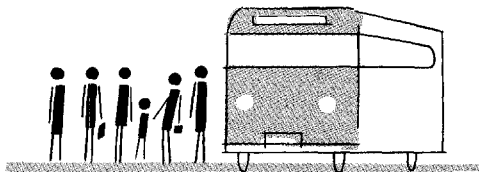
IDEAS ON



LIBERTY

Private Property, Public Purpose

HENRY HAZLITT



THE SOCIALISTS and communists propose to cure poverty by seizing private property, particularly property in the means of production, and turning it over to be operated by the government.

What the advocates of all expropriation schemes fail to realize is that property in private hands used for the production of goods and services for the market is already for all practical purposes public wealth. It is serving the public just as much as—in fact, far more effectively than—if it were owned and operated by the government.

Suppose that a single rich man were to invest his capital in a railroad owned by himself alone. He could not use this merely to trans-

port his own family and their personal goods. That would be ruinously wasteful. If he wished to make a profit on his investment, he would have to use his railroad to transport the public and their goods. He would have to devote his railroad to a public use.

And unlike a government agency, the private owner is obliged by self-preservation to try to avoid losses, which means that he is forced to run his railroad economically and efficiently. And also unlike a government agency, the private capitalist is nearly always obliged to face competition—which means to make the services he provides or the goods he sells superior or at least equal to those provided by his competitors. Therefore the private capitalist normally serves the public far better than the government could if it took over his property.

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

Looked at from the standpoint of the service they provide, the private railroads today are worth vastly more to the public than to their owners.

Though socialists chronically fail to understand it, there is nothing original in the theme just stated. It was hinted at in Adam Smith:

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 the 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.¹

At another point Adam Smith was even more explicit:

Every prodigal appears to be a public enemy, and every frugal man a public benefactor. . . . The principle which prompts to save, is the desire of bettering our condition. . . . An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. . . . And the most likely way of augmenting their fortune, is to save and accumulate some part of what they desire. . . . [The funds they accumulate] are destined for the maintenance of productive

labor. . . . The productive powers of the same number of laborers cannot be increased, but in consequence either of some addition and improvement to those machines and instruments which facilitate and abridge labor; or of a more proper division and distribution of employment. In either case an additional capital is almost always required.²

In the history of economic thought, however, it is astonishing how much this truth was neglected or forgotten, even by some of Smith's most eminent successors. But the theorem has been revived, and some of its corollaries more explicitly examined, by several writers in the present century.

How Henry Ford Profitably Served the Public

One of them was George E. Roberts, director of the U. S. Mint under three Presidents, who was responsible for the *Monthly Economic Letter* of the National City Bank of New York from 1914 until 1940.

An example often cited by Roberts was Henry Ford and his automobile plant. Roberts pointed out in the July letter of 1918 that the portion of the profits of Henry Ford's automobile business that he had invested in the development and manufacture of a farm tractor was not devoted to Ford's private

¹ *Wealth of Nations* (1776), Bk. IV, Ch. II.

² *Ibid.*, Bk. II, Ch. III.

wants; nor was that portion which he invested in furnaces for making steel; nor that portion invested in workingmen's houses. "If Henry Ford had exceptional talent for the direction of large productive enterprises the public had no reason to regret that he had an income of \$50,000,000 a year with which to enlarge his operations. If that income came to him because he had a genius for industrial management, the results to the public were probably larger than they would have been if the \$50,000,000 had been arbitrarily distributed at 50 cents per head to all the [then, 1918] population of the country."

In brief, only that portion of his income which the owner spends upon himself and his dependents is devoted to him or to them. All the rest is devoted to the public as completely as though the title of ownership was in the state. The individual may toil, study, contrive, and save, but all that he saves inures to others.

But the Ford Motor Company, from the profits of which the original owner drew so little for his own personal needs, is not a unique example in American business. Perhaps the greater part of private profits are today reinvested in industry to pay for increased production and service for the public.

Profits After Taxes Average 4 Per Cent of Sales

Let us see what happened, for example, to all the corporate profits in the United States in 1968, fifty years after George Roberts was writing about the Ford Company. These aggregate net profits amounted before taxes to a total of \$88.7 billion (or one-eighth of the total national income in that year of \$712.7 billion).

Out of these profits the corporations had to pay 46 per cent, or \$40.6 billion, to the government in taxes. The public, of course, got directly whatever benefit these provided. Corporate profits after taxes then amounted to \$48.2 billion, or less than 7 per cent of the national income.

These profits after taxes, moreover, averaged only 4 cents for every dollar of sales. This meant that for every dollar that the corporations took in from sales, they paid out 96 cents — partly for taxes, but mainly for wages and for supplies from others.

But by no means all of the \$48.2 billion earned after taxes went to the stockholders of the corporations in dividends. More than half — \$24.9 billion — was retained or reinvested in the business. Only \$23.3 billion went to the stockholders in dividends.

There is nothing untypical in these 1968 corporate reinvestment

figures. In every one of the six years preceding 1968 the amount of funds retained for reinvestment exceeded the total amount paid out in dividends.

Moreover, even the \$25 billion figure understates corporate reinvestment in 1968. For in that year the corporations suffered \$46.5 billion depreciation on their old plant and equipment. Nearly all of this was reinvested in repairs to old equipment or to complete replacement. The \$24.9 billion represented reinvestment of profits in *additional* or greatly improved equipment.

And even the \$23.3 billion that finally went to stockholders was not all retained by them to be spent on their personal consumption. A great deal of it was reinvested in new enterprises. The amount is not precisely ascertainable; but the U. S. Department of Commerce estimates that total personal savings in 1968 exceeded \$40 billion.

Thus because of both corporate and personal saving, an ever-increasing supply is produced of finished goods and services to be shared by the American masses.

In a modern economy, in brief, those who save and invest can hardly help but serve the public. As Mises has put it: "In the market society the proprietors of capital and land can enjoy their property only by employing it for the

satisfaction of other people's wants. They must serve the consumers in order to have any advantage from what is their own. The very fact that they own means of production forces them to submit to the wishes of the public. Ownership is an asset only for those who know how to employ it in the best possible way for the benefit of the consumers. It is a social function."³

It follows from this that the rich can do the most good for the poor if they refrain from ostentation and extravagance, and if instead they save and invest their savings in industries producing goods for the masses.

F. A. Harper has gone so far as to write: "Both fact and logic seem to me to support the view that savings invested in privately owned economic tools of production amount to an act of charity. And further, I believe it to be — as a type — the greatest economic charity of all."⁴

Professor Harper supports this view by quoting, among others, from Samuel Johnson, who once said: "You are much surer that you are doing good when you *pay*

³ Ludwig von Mises, *Human Action* (Third Revised Edition; Chicago: Henry Regnery Co., 1966), p. 648.

⁴ "The Greatest Economic Charity." Essay in symposium *On Freedom and Free Enterprise*, Mary Sennholz, ed. Van Nostrand, 1956), p. 99.

money to those who work, as a recompense of their labor, than when you *give* money merely in charity."⁵

So, saving and sound investment are by far the most important means by which the rich can confer benefits on the poor.

Saving and Investment

This theme has found expression in this century by a deplorably small number of writers. One of the most persuasive was Hartley Withers, a former editor of the famous London *Economist*, who published an ingratiating little book in 1914, a few weeks before the outbreak of the First World War, called *Poverty and Waste*.⁶ The contention of his book is that when a wealthy man spends money on luxuries he causes the production of luxuries and so diverts capital, energy, and labor from the production of necessities, and so makes necessities scarce and dear for the poor. Withers does not ask him

... to give his money away, for he would probably do more harm than good thereby, unless he did it very carefully and skilfully; but only to invest part of what he now spends

on luxuries so that more capital may be available for the output of necessities. So that by the simultaneous process of increasing the supply of capital and diminishing the demand for luxuries the wages of the poor may be increased and the supply of their needs may be cheapened; and he himself may feel more comfortable in the enjoyment of his income.⁷

Yet in spite of the authority of the classical economists and the inherent strength of the arguments for saving and investment, the gospel of spending has an even older history. One of the chief tenets of the "new economics" of our time is that saving is not only ridiculous but the chief cause of depressions and unemployment.

Adam Smith's arguments for saving and investment were at least partly a refutation of some of the mercantilist doctrines thriving in the century before he wrote. Professor Eli Heckscher, in his *Mercantilism* (2 vol., 1935), quotes a number of examples of what he calls "the deep-rooted belief in the utility of luxury and the evil of thrift. Thrift, in fact, was regarded as the cause of unemployment, and for two reasons: in the first place, because real income was believed to diminish by the amount of money which did not enter into exchange, and sec-

⁵ James Boswell, *The Life of Samuel Johnson* (Boston: Charles E. Lauriat Co., 1925). Vol. II, p. 636.

⁶ (London: Smith, Elder, 1914; Second, Revised Edition, John Murray, 1931.)

⁷ *Poverty and Waste*, p. 139.

only, because saving was believed to withdraw money from circulation."⁸

An example of how persistent these fallacies were, long after Adam Smith's refutation, is found in the words that the sailor-turned-novelist, Captain Marryat, put into the mouth of his hero, Mr. Midshipman Easy, in his novel by that name published in 1836:

The luxury, the pampered state, the idleness — if you please, the wickedness — of the rich, all contribute to the support, the comfort, and the employment of the poor. You may behold extravagance — it is a vice; but that very extravagance circulates money, and the vice of one contributes to the happiness of many. The only vice which is not redeemed by producing commensurate good, is avarice.

Mr. Midshipman Easy is supposed to have learned this wisdom in the navy, but it is almost an exact summary of the doctrine preached in Bernard Mandeville's *Fable of the Bees* in 1714.

Luxury Spending

Now though this doctrine is false in its attack on thrift, there is an important germ of truth in it. The rich can hardly prevent themselves from helping the poor to some extent, almost regardless of how they spend or save their

money. So far from the wealth of the rich being the cause of the poverty of the poor, as the immemorial popular fallacy has it, the poor are made less poor by their economic relations with the rich. Even if the rich spend their money foolishly and wastefully, they give employment to the poor as servants, as suppliers, even as panders to their vices. But what is too often forgotten is that if the rich saved and invested their money they would not only give employment to just as many people producing capital goods, but that as a result of the reduced costs of production and the increased supply of consumer goods which this investment brought about, the real wages of the workers and the supply of goods and services available to them would greatly increase.

What is also forgotten by the defenders of luxury spending is that, though it improves the condition of the poor who cater to it, it also increases their dissatisfaction, unrest, and resentment. The result is increased envy of, and sullenness toward, those who are making them better off.

The first eminent economist who attempted to refute Adam Smith's proposition that "every prodigal appears to be a public enemy, and every frugal man a public benefactor" was Thomas R. Malthus.

⁸ Vol. ii, p. 208.

Malthus's objections were partly well taken and partly fallacious. I have examined them rather fully in another place;⁹ and I shall content myself here with quoting a few lines from the answer that a greater economist than Malthus, David Ricardo, made at the time (circa 1814-21):

Mr. Malthus never appears to remember that to save is to spend, as surely as what he exclusively calls spending. . . . I deny that the wants of consumers generally are diminished by parsimony — they are transferred with the power to consume to another set of consumers.¹⁰

John Maynard Keynes

We have yet to discuss the views of the most influential opponent of saving in our time — John Maynard Keynes.

It is widely believed, especially by his disciples, that Lord Keynes did not condemn saving until, in a sudden vision on his road to Damascus, the truth flashed upon him and he published it in *The General Theory of Employment, Interest, and Money* in 1936. All this is apocryphal. Keynes disparaged saving almost from the beginning of his career. He was warning his countrymen in a

broadcast address in January, 1931, that "whenever you save five shillings, you put a man out of work for a day." And long before that, in his *Economic Consequences of the Peace*, published in 1920, he was writing passages like this:

The railways of the world which [the nineteenth century] built as a monument to posterity, were, not less than the Pyramids of Egypt, the work of labor which was not free to consume in immediate enjoyment the full equivalent of its efforts.

Thus this remarkable system depended for its growth on a double bluff or deception. On the one hand the laboring classes accepted from ignorance or powerlessness, or were compelled, persuaded, or cajoled by custom, convention, authority, and the well-established order of Society into accepting, a situation in which they could call their own very little of the cake that they and Nature and the capitalists were cooperating to produce. And on the other hand the capitalist classes were allowed to call the best part of the cake theirs and were theoretically free to consume it, on the tacit underlying condition that they consumed very little of it in practice. The duty of "saving" became nine-tenths of virtue and the growth of the cake the object of true religion. There grew round the non-consumption of the cake all those instincts of puritanism which in other ages has withdrawn itself from the world and has neglected the arts of

⁹ *The Failure of the "New Economics"* (Van Nostrand, 1959), pp. 40-43 and 355-362.

¹⁰ *Notes on Malthus* (Sraffa edition), p. 449 and p. 309.

production as well as those of enjoyment. And so the cake increased; but to what end was not clearly contemplated. Individuals would be exhorted not so much to abstain as to defer, and to cultivate the pleasures of security and anticipation. Saving was for old age or for your children; but this was only in theory — the virtue of the cake was that it was never to be consumed, neither by you nor by your children after you. (pp. 19-20.)

This passage illustrates the irresponsible flippancy that runs through so much of Keynes's work. It was clearly written tongue-in-cheek. In the very next sentences Keynes made a left-handed retraction: "In writing thus I do not necessarily disparage the practices of that generation. In the unconscious recesses of its being Society knew what it was about," etc.

Yet he let his derision stand to do its harm.

If we accepted Keynes's original passage as sincerely written, we would have to point out in reply: (1) The railways of the world cannot be seriously compared with the pyramids of Egypt, because the railways enormously improved the production, transportation, and availability of goods and services for the masses. (2) There was no bluff and no deception. The workers who built the railroads were perfectly "free" to consume in immediate enjoyment the full equivalent

of their efforts. It was the *capitalist* classes that did nearly all the saving, not the workers.

(3) Even the capitalist classes did consume *most* of their slice of the cake; they were simply wise enough to refrain from consuming *all* of it in the same year as they baked it.

This point is so fundamental, and both Keynes and his disciples have so confused themselves and others with their mockery and intellectual somersaults, that it is worth making the matter plain by constructing an illustrative table.

Results in Ruritania:

A Larger "Cake"

Let us assume that in Ruritania, as a result of net annual saving and investment of 10 per cent of output, there is over the long run an average increase in real production of 3 per cent a year. Then the picture of economic growth we get over a ten-year period runs like this in terms of index numbers:

Year	Total Production	Consumers' Goods	Capital Goods
First	100	90	10
Second	103	92.7	10.3
Third	106.1	95.5	10.6
Fifth	112.5	101.3	11.2
Tenth	130.5	117.5	13.0

(These results do not differ too widely from what has been hap-

pening in recent years in the United States.)

What this table illustrates is that total production in Ruritania increases each year *because of the net saving* (and consequent investment), and would not increase without it. The saving is used year after year to increase the quantity and improve the quality of existing machinery or other capital equipment, and so to increase the output of *both* consumption and capital goods.

Each year there is a larger and larger "cake." Each year, it is true, not all of the currently produced cake is consumed. But there is no irrational or cumulative consumer restraint. For each year a larger and larger cake is in fact consumed; until even at the end of five years (in our illustration), the annual consumers' cake alone is equal to the combined producers' and consumers' cakes of the first year. Moreover, the capital equipment, the ability to produce goods, is now 12 per cent greater than in the first year. And by the tenth year the ability to produce goods is 30 per cent greater than in the first year; the total cake produced is 30 per cent greater than in the first year, and the consumers' cake alone is more than 17 per cent greater than the combined consumers' and producers' cakes in the first year.

No Allowances for Depreciation

There is a further point to be taken into account. Our table is built on the assumption that there has been a *net* annual saving and investment of 10 per cent a year; but in order to achieve this Ruritania will probably have to have a *gross* annual saving and investment of, say, twice as much, or 20 per cent, to cover the repairs, depreciation and deterioration taking place every year in housing, roads, trucks, factories, equipment. This is a consideration for which no room can be found in Keynes's simplistic and mocking cake analogy. The same kind of reasoning which would make it seem silly to save for new capital would also make it seem silly to save enough even to replace old capital.

In a Keynesian world, in which saving was a sin, production would go lower and lower, and the world would get poorer and poorer.

In the illustrative table I have by implication assumed the long-run equality of saving and investment. Keynes himself shifted his concepts and definitions of both saving and investment repeatedly. In his *General Theory* the discussion of their relation is hopelessly confused. At one point (p. 74) he tells us that saving and investment are "necessarily equal" and "merely different aspects of the

same thing." At another point (p. 21) he is telling us that they are "two essentially different activities" without even a "nexus."

Produce, Save, Invest

Let us, putting all this aside, try to look at the matter both simply and realistically. Let us define saving as an excess of production over consumption; and let us define investment as the employment of this unconsumed excess to create additional means of production. Then, though saving and investment are not always *necessarily* equal, over the long run they tend to equality.

New capital is formed by production combined with saving. Before there can be a given amount of investment, there must be a preceding equal amount of saving. Saving is the first half of the action necessary for more investment. "To complete the act of forming capital it is of course necessary to complement the negative factor of saving with the positive factor of devoting the thing saved to a productive service. . . . [But] saving is an indispensable condition precedent of the formation of capital."¹¹

Keynes constantly deplored sav-

ing while praising investment, persistently forgetting that the second was impossible without the first.

Of course it is most desirable economically that whatever is saved should also be invested, and in addition invested prudently and wisely. But in the modern world, investment follows or accompanies saving almost automatically. Few people in the Western world today keep their money under the floor boards. Even the poorer savers put their money out at interest in savings banks; and those banks act as intermediaries to take care of the more direct forms of investment. Even if a man keeps a relatively large sum in an inactive checking deposit, the bank in which he keeps it, trying always to maximize its profits or to minimize losses, seeks to keep itself "fully loaned up" — that is, with close to the minimum necessary cash reserves. If there is insufficient demand at the time for commercial loans, the bank will buy Treasury bills or notes. The result in the United States, for example, is that a bank in New York or Chicago would normally lend out five-sixths of the "hoarder's" deposit; and a "country bank" would lend out even more of it.

Of course, to repeat, a saver can do the most economic good, both

¹¹ Eugen von Böhm-Bawerk, *Positive Theory of Capital*, 1891 (South Holland, Ill.: Libertarian Press, 1959), pp. 104, 118.

for himself and his community, if he invests most of his savings, and invests them prudently and wisely. But — contrary to the theories of the mercantilists and the Keynesians — even if he “hoards” his savings he may often benefit both himself and the community and at least under normal conditions do no harm.

To understand more clearly why this is so it may be instructive to begin by distinguishing between three kinds of (or motives for) saving, and three groups of savers —roughly the poor, the middle class, and the wealthy.

Rent-day Saving

Let us call the most necessary kind, which even the poorest must practice, “rent-day saving.” Men buy and pay for things over different time periods. They buy and pay for food, for the most part, daily. They pay rent weekly or monthly. They buy major articles of clothing once or twice a year. A man who earns \$10 a day cannot afford to spend \$10 a day on food and drink. He can spend on them, say, not more than \$6 a day, and must put aside \$4 a day from which to pay out part at the end of the month for rent, light, and heat, and another part for a winter overcoat at the end of six months, and so on. This is the kind of saving necessary to ensure

one’s ability to spend throughout the year. “Rent-day saving” can symbolize all the saving necessary to pay for regularly recurrent and unavoidable living expenses. Obviously this kind of saving, sustained only for weeks or a season, is not cumulative and can in no circumstances be held responsible for business depressions. It is utter irresponsibility to ridicule it.

Rainy-day Saving Can’t Cause Depression

The next kind of saving, which applies especially to the middle classes, or moderately well off, is what we may call “rainy-day saving.” This is saving against such possible contingencies as loss of a job, illness in the family, death of the breadwinner, or the like.

It is this “rainy-day saving” that the Keynesians most deplore, and from which they fear the direst consequences. Yet even in extreme cases it does not, except in very special cyclical circumstances, tend to bring about any depression or economic slowdown.

Let us consider, for example, a society consisting entirely of “hoarders” and “misers.” They are hoarders and misers in this sense: that they all assume they are going to live till 70 but will be forced to retire at 60; and they want to have as much to spend in each of their last ten years as in

their 40 working years from 20 to 60. This means that each family will save one-fifth of its annual income over 40 years in order to have the same amount to spend in each of its final ten years.

We are deliberately assuming the extreme case, so let us assume that the money saved is not invested in a business or in stocks or bonds, is not even put in a savings bank, earns no interest, but is simply "hoarded."

This of course would permit no economic improvement whatever, but if it were the regular permanent way of life in that community, at least *it would not lead to a depression*. The people who refrained from buying a certain amount of consumers' goods and services would not be bidding up their prices; they would simply be leaving them for others to buy. If this saving for old age were the regular and expected way of life, and not some sudden unanticipated mania for saving, the manufacturers of consumer goods would not have produced an oversupply to be left on their hands; the older people in their seventh decade would in fact be spending more than similarly aged people in a "spending" society, and the unspent savings of those who died would revert to the spending stream. Over a long period, year by year, there would be just as

much spent as in a "spending" society.

Let us remember that money saved, in an evenly-rotating economy, where there is neither monetary inflation nor deflation, does not go out of existence. Savings, even when they are not invested in production goods, are merely *deferred or postponed* spending. The money stays somewhere and is always finally spent. In the long run, in a society with a relatively stable ratio between hoarders and spenders, savings are constantly coming back into the spending stream, through old-age spending or through deaths, keeping the stream at an even flow.

What we are trying to understand is merely the effect of saving *per se*, and not of sudden and unanticipated *changes* in spending and saving. Therefore we are *abstracting* from the effects produced by unexpected changes in spending and saving or changes in the stock of money. If even a heavy amount of saving were the regular way of life in a community, the relative production and prices of consumers' and producers' goods would already be adjusted to this. Of course, if a depression sets in from some other cause, and the prices of securities and of goods begin to fall, and people suddenly fear the loss of their jobs, or a further fall in

prices, this may lead to a massive and unanticipated *increase* in saving (or more exactly in nonspending) and this may of course intensify a depression already begun from other causes. But depressions cannot be blamed on regular, predictable, anticipated saving.

Some readers may contend that I have not yet imagined the most extreme case of saving — a society, say, all the members of which perpetually save more than half as much as they earn, and keep saving, not for old age, or for any reasonable contingency, but simply because of a “religion” of saving. In brief, these would be the cake nonconsumers of Keynes’s satire. But such an imaginary society involves a contradiction of assumptions. If the members of that society intended always to live at their existing modest or even mean level, why would they keep exerting themselves to produce more than they ever expected to consume? That would be pathologic to the point of insanity. Keynes’s allegory of the extent of supposed nineteenth century thrift was surely his own hallucination.

Capitalistic Saving for Investment in Industry

We come finally to the third type of saving — what we may call “capitalistic” saving. This is saving that is put aside for investment

in industry — either directly, or indirectly in the form of savings bank deposits. It is saving that yields interest or profits. The saver hopes, in his old age or even earlier, to live on the income yielded by his investments rather than by consuming his saved capital.

This type of “capitalistic” saving was until recently confined to the very rich. Indeed, even the very rich were not able to take advantage of this type of saving until the modern development of banks and corporations. As late as the beginning of the eighteenth century we hear of London merchants on their retirement taking a chest of gold coin with them to the country with the intention of gradually drawing on that hoard for the rest of their lives.¹² Today the greater part even of the American middle classes, however, enjoy the advantage of capitalistic saving.

To sum up. Contrary to age-old prejudices, the wealth of the rich is not the cause of the poverty of the poor, but helps to alleviate that poverty. No matter whether it is their intention or not, almost anything that the rich can legally

¹² F. A. Hayek, *Profits, Interest and Investment* (London: George Routledge, 1939), pp. 162-163. See also the numerous cases mentioned in G. M. Trevelyan’s *English Social History* (David McCay, 1942).

do tends to help the poor. The spending of the rich gives employment to the poor. But the saving of the rich, and their investment of these savings in the means of production, gives just as much employment, and in addition makes that employment constantly more productive and more highly paid, while it also constantly increases and cheapens the production of necessities and amenities for the masses.

The rich should of course be directly charitable in the conven-

tional sense, to people who because of illness, disability, or other misfortune cannot take employment or earn enough. Conventional forms of private charity should constantly be extended. But the most effective charity on the part of the rich is to live simply, to avoid extravagance and ostentatious display, and to save and invest so as to provide more people with increasingly productive jobs, and to provide the masses with an ever-greater abundance of the necessities and amenities of life.



GEORGE HAGEDORN

Uses of Ignorance

SOME TIME AGO in Washington, this writer gave a talk at a meeting of fellow economists, in which a somewhat unusual course of action was suggested. I will state it at this point and ask you to restrain your initial indignation.

My recommendation was this: *Business economists ought, at this stage of history, to seize aggres-*

sively all opportunities for asserting their own ignorance.

I start from the premise that economists have a vast fund of ignorance to exploit. There are important items of factual information we do not have, there are critical relationships we do not understand, and there are potentialities for the future that we are not aware of.

Economists are generally well aware of the limitations of their knowledge. And they do not ordi-

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narily conceal it from the non-economists with whom they deal. But their statements of their own ignorance tend to be apologetic confessions, whereas my recommendation is that they should be aggressive assertions.

The inability of economists to know certain important things is itself a fact of great significance. We economists are probably the people best qualified to analyze the implications, for company action and for government policy, of our own ignorance. We should strive to make our lack of knowledge a part of the positive content of decision-making, rather than a sad apologetic footnote to it. This is what I mean by an aggressive assertion of ignorance.

I have in past writings occasionally ventured the opinion that much of the economic forecasting that is done in the ordinary way is not only useless but harmful. Decision-making is an inescapable necessity in business operations, but forecasting is not. Any decision has to be made in the light of relevant facts which are known, but also in recognition of what is unknown and perhaps unknowable. The worst thing the economist can do for the decision-maker is to obscure the line between what is known and what is unknown.

This is almost exactly what is

done in the customary procedures of forecasting. The economist, fully aware of his own limitations, feels obliged simply "to do the best he can" in providing forecasts of anything his principals want forecasted.

Especially in Political Affairs

I also believe that a more aggressive assertion by economists of ignorance is desirable in the formulation of national economic policies. The fine-tuning approach to monetary and fiscal policy would, of course, be fully justified if our knowledge of the changing economic situation were always complete. But if our explanations of the limitations in our knowledge are apologetic, rather than aggressive, we are not likely to deter policy makers from the fine-tuning approach.

An aggressive assertion of our ignorance, and an analytic exploration of its consequences, leads however to a rejection of the fine-tuning approach altogether. The decision-making strategy which takes full account of ignorance leads in the direction of maintaining a relatively steady posture in fiscal and monetary policy.

National policy in regard to the balance of payments is a prime example of how an aggressive assertion of ignorance can be of great help. I speak feelingly on

this subject because my own fund of ignorance on it is so large. Furthermore, I am proud of the fact that I came by my ignorance the hard way—through long study which revealed that most of what I knew about the balance of payments wasn't so. An aggressive assertion of ignorance on the "balance of payments problem" (whatever that may be) would have led to better national policy decisions in that area than we have in fact had.

**Unknowable in Principle,
Unworkable in Practice**

One logical reaction from economists to my emphasis on ignorance may be to advocate more and bigger programs of research to fill in the knowledge gaps. I don't mean to argue against this approach but I do have reservations about its fruitfulness. Much of what we would like to know is, I think, not only unknown in practice but unknowable in principle.

The reason I say this is that

there seems to me to be an inherent contradiction in the belief that we ever can know certain things. For example, if we ever became able to predict the large and sudden changes in the inventory situation that are occasionally recorded, they would cease to happen.

Perhaps what is needed in economics is an equivalent of the Heisenberg principle of uncertainty in physics. This kind of precise definition of what we can know and can't know would, I believe, be a most notable contribution to our science and a most helpful guide to practitioners of our art.

All this shouldn't be too shocking and it may even be trite. If economists really knew what they are supposed (by others and sometimes by themselves) to know, there would be a good case for a centrally planned economy. We can save society from that fate by asserting our ignorance aggressively. 

Wisdom and the Law

IDEAS ON



LIBERTY

IF CIRCUMSPECTION and caution are a part of wisdom when we work only upon inanimate matter, surely they become a part of duty too, when the subject of our demolition and construction is not brick and timber but sentient beings. . . . The true lawgiver ought to have a heart full of sensibility. He ought to love and respect his kind, and to fear himself.

EDMUND BURKE, *Reflections on the Revolution in France* (1790)

CLARENCE B. CARSON

Throttling the Railroads

8

The Grip of the Unions

GOVERNMENT throttled the railroads in three ways mainly. In the first place, restrictive regulation took away crucial managerial authority from the railroads and vested it in the Interstate Commerce Commission. This was supplemented, in turn, by various legislative inhibitions of general application. In the second place, government subsidized and otherwise privileged competitive means of transport. In the third place, government fostered the organization of railway unions and aided them in various ways in circumscribing and hamstringing the use

of rail facilities. The first two of these interventions have already been covered. It is time now to examine the grip of the labor unions on the railroads.

Labor unions, in general, are organized to get higher wages and improve the working conditions of their members. To do this, they attempt to take the determination of these conditions out of the market place and have them determined by negotiation with the employer who negotiates under the threat that he will be denied access to any workers if he does not comply with their demands. The economic impact of this intervention extends outward to effect with varying degrees four distinct groupings of people.

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**Effects of Labor Union Activity
on People**

Those who are apt to be most directly affected by labor union activity are other potential workers for an employer. They are most likely to be the ones against whom threats and violence are used if there is a strike—and if the employer attempts to operate the struck facility. Other workers are the ones, also, who are denied the opportunity for jobs which they might have if unions did not prevent them from being employed. More broadly, if unions succeed in getting higher wages and better conditions than they would otherwise have got, they do so by reducing the number who can be employed in that undertaking, as a rule. The general impact is either to reduce the number who can be employed or reduce the wages and working conditions of some of those employed, or both.

Less directly, labor union activity is aimed at employers (though union rhetoric suggests that they are the primary target). Employers are not usually the victims of threats and violence, but this does not mean that they may not suffer. They may and do suffer during a strike by sabotage, by additional charges incurred in attempting to protect and maintain facilities, by having to go to the

trouble and expense of training new employees, or by being unable to operate their facilities and provide goods and services with all the train of disadvantages that may follow from that.

Labor union activity may, in the third instance, have effects which reach through to all of us as consumers. This is so, obviously, when a prolonged strike cuts off goods and services which we could otherwise have had. It is so, too, when labor costs are raised so that goods and services are made more expensive. In this case, the consumer may shift to substitutes or reduce his consumption of the goods or services involved.

The fourth effect is rarely, if ever, discussed and has not, to my knowledge, had any careful empirical studies made which would tend to verify it. Yet it is an effect which can be reasonably adduced and which much evidence that is common knowledge tends to support. The effect I have in mind is on those who work in and use the facilities of employers whose employees are extensively organized into unions. Those facilities are likely to show the effects of the tampering with the market which produces an imbalance in capital outlay. If an employer has to pay higher wages for shorter hours, if his workers attain various perquisites which

hamper their use, if he must still compete with others in providing the goods and services, if he must compete for money with other users, then something has to give if he is to operate successfully. That something will quite often be the appearance, style, and quality of his facilities.

I noted in an earlier chapter that railroad facilities are frequently rundown, that freight and passenger stations are often decrepit and in poor state of repair, that passenger cars are old and dirty, and that facilities in general are below the standard in other fields. Railroads have obviously skimped in expenses for facilities in order to meet other outlays. This, in turn, has had a rather predictable effect on employee morale, and helps to account for surly and desultory service. In one direction, at least, the union quest for better working conditions has resulted in worsening working conditions.

Growth of Railway Unions

The railway unions were among the earliest trade unions organized on any scale within the United States. The Brotherhood of Locomotive Engineers was organized in 1863. The remainder of the Big Four of the Brotherhoods were organized within the next twenty years. In addition,

two other major union developments occurred in the nineteenth century involving railway employees. The Knights of Labor gained considerable following among them, and even brought off a successful strike against the Gould System in 1884-85. In the 1890's, Eugene Debs organized the American Railway Union which brought off, temporarily, a sympathy strike for Pullman workers. However, the Knights of Labor and the American Railway Union were short-lived organizations, while the Brotherhoods had much greater permanency.

Union membership grew in the early twentieth century and had a great surge during World War I after the government took over the railroads. Since that time, the unions have remained strong and, though they have rarely struck, it is generally conceded that they could shut down the railroads rather effectively if and when they did. Many of the unions have remained independent, but some of them are affiliated with the American Federation of Labor or with the Teamsters.

The Government and the Unions

The relationship between the government and the railway unions needs to be made clear at this point. To do this is no easy task. Not only has the nature of

this relationship usually been mired in controversy involving the legitimacy of union activities but also the relationship itself has been complex and confusing. Presidents, governors, and government officials have frequently attempted either to be or appear to be neutral in the contests between unions and railroad companies. They could not be, though this fact has frequently been kept from public attention. They could not be, most basically, because union tactics would not permit them to be. Government must be either for or against labor unions as they have been constituted and operated. There is no middle ground.

The reason for this can be made clear by a little examination into the nature of labor unions. According to union rhetoric, labor is not a commodity. The import of this is that wages should not be determined in the market but should be determined elsewhere. Again, according to the rhetoric, wages should be set as a result of negotiation. Not, however, by negotiation between the employer and the individual employee; according to widely held notions, that became impracticable due to the development of large companies and corporations.

The notion that wages are, or ever have been, determined to any

significant degree by negotiations is a red herring used to throw the inquirer off the scent. It is true that occasionally negotiations may occur between a prospective employer and someone who has a much needed skill, ability, or reputation, and when the prospective employee has several prospects. But this is the exception to the rule by which wages are determined. There is usually a going wage in the market at any given time for a particular job, a wage rate resulting from competition among employers for workers and among workers for jobs — that is, from the supply of workers and the demand for their produce. Any negotiations that would occur would be on the fringes of the question of wages and working conditions.

Can a Union Negotiate?

How, then, could a union induce an employer to negotiate with its leaders for workers? To put it another way, if a company could hire workers at a wage its managers were willing to pay, why would those managers negotiate the matter with labor union leaders? The answer, it is clear both in theory and in history, is that they would not do so willingly. This means that for the union to be brought in, some compelling reason must exist.

In order to be able to negotiate as an equal with an employer, a union must corner the market of workers available to him. This can be done in one of two ways when the task is stripped to its essentials. A union might, in theory, corner the market by placing available workers under contract to it and paying them the wages and providing the working conditions it demanded from any other employer. This would be a market operation, and the union would be going into the market to bid for workers. Negotiations could then take place between prospective employers and the union for workers by negotiating to buy the contracts. In fact, no such operation has ever been undertaken by a union, nor is it likely to be. Unless a union had unlimited funds employers would only have to hold out for some period of time to bankrupt and break the union.

Unions do attempt to corner the market, but they do not use market methods to do so. They attempt to deny the employer access to workers and the constructive use of his facilities until he comes to terms. They do this, if he attempts to operate, by intimidation — by strikes, by driving prospective employees away from the facilities, by sabotage, and by threats. They have no recognizable good or service to sell; they

have no workers under a work contract for a period of time which could be transferred to an employer. All they have to offer is an agreement to refrain from their tactics of intimidation for a period of time in return for certain wage scales and working conditions to prevail for those who work for an employer.

Government cannot, I say, be neutral toward the use of such tactics. It must either prohibit and inhibit intimidation or it must condone it. It must either enforce contracts arrived at by coercion or it must negate them. Government must either monopolize the use of intimidation or concur in the use of it by others. There is no middle ground.

Railway unions posed the dilemma very early in their operations for government of whether to side with or against them. They posed it more dramatically than most unions have done. They did so because of the nature and importance of the railroads. Trains are particularly vulnerable to the saboteur. A twisted rail, an incapacitated engineer, a rail wrongly set to take a train into a siding, strategically greased rails, can cause an amazing amount of mischief. Moreover, a station or switchyard shutdown can prevent the effective use of the extended facilities of a rail-

road. On the other hand, large portions of a wheat crop could be lost by the denial of rail service at a crucial time, and large cities would be hard put to survive. In consequence, those who governed have been confronted with the dilemma of either preventing the use of intimidation by unions or throwing the weight of government behind the unions so that rail companies will be forced to make sufficient concessions or comply with what is wanted and thus make the unions' tactics unnecessary. In short, they have had to use force either on the companies or on the unions.

Government Sides with the Unions

Government — both Federal and state — took the side of the unions, at first tentatively, and then over the years much more thoroughly. They have done so in three ways, mainly. First, the Federal government threw its weight behind the mediation of disputes. This favored the unions because in the absence of intimidation there is no reason to suppose the companies would have wished to resort to mediation to settle disputes. (Of course, given the threat of intimidation, the companies might, and did sometimes, want mediation more than the unions did.) Second, both Federal and state governments prescribed such

things as hours of work, compensation for overtime, and various sorts of work rules. Third, by supporting negotiated agreements, by requiring companies to adhere to them, and by other tacit aids governments encouraged the growth of unions.

The first national labor law of any sort was the Act of 1888 which was concerned exclusively with the railroads and the unions. It was the first tentative step toward government support for arbitration of disputes. This Act provided that if the parties to a dispute chose to do so they could submit it to a Board of Arbitration which would have the power to subpoena witnesses and get testimony. Compliance with the decision of the Board was to be voluntary. The Act also provided for a Presidential Commission to be appointed upon request, a commission which would be authorized to publicize its findings.¹

This first Act was hardly used; in consequence, it was supplanted by the Erdman Act in 1898. This Act provided that once the dispute had been submitted for arbitration and a decision made, the decision was to be binding on both parties. The Erdman Act also contained rules which supported

¹ See Philip Ross, *The Government as a Source of Union Power* (Providence: Brown University Press, 1965), p. 19.

labor union organization. "It was made a misdemeanor for an employer to require the execution of an oral or written yellow dog contract from any employee as a condition of employment, to threaten or discriminate against any employee because of union membership . . ." ² and so forth. This part of the Act, however, was shortly nullified by the Supreme Court, but it does indicate how far toward the support of unionism Congress was willing to go at this date. The Newlands Act passed in 1913 strengthened the mediation features of the Erdman Act.

Around World War I, the Federal government began to prescribe the length of work day for rail employees, or, more specifically, the terms of payment for time worked. "In 1916, under threat of an imminent railroad strike, Congress within four days passed the Adamson Act, giving trainmen the 'basic' eight-hour day without wage reduction. Overtime payment at 'time and one-half' was required for railroad workers in 1919." ³

The Federal government took over and operated the railroads during World War I. The policy

toward organized labor during that period, and its results, is described by one work in this way: "During federal control of the railways from 1917 to 1920, public policy encouraged organization by forbidding antiunion discrimination and by introducing nationwide agreements on hours, wages, and working conditions. . . . Like organized labor at large, the railway brotherhoods made great strides during the war years." ⁴ Also, the government devised a whole series of job classifications which tended to rigidify the role of a given worker; in addition, seniority rules were set up and enforced. ⁵

The Transportation Act of 1920

The Transportation Act of 1920 included extensive provisions that were supposed to lead to settlement of labor disputes. It declared that it was the duty of representatives of management and labor to arrive at a settlement. If they failed, the matter was then to go before a Labor Board. The Board was supposed to decide "all disputes with respect to the wages or salaries of employees . . ." not settled by negotiation. Not much came of this, however, because the unions wanted to deal with disputes nationally —

² *Ibid.*, p. 21.

³ Merle Fainsod, *et al.*, *Government and the American Economy* (New York: Norton, 1959, 3rd ed.), pp. 163-64.

⁴ *Ibid.*, p. 184.

⁵ Ross, *op. cit.*, pp. 29-30.

that is, treat all railroads as belonging to a single system — while the companies insisted upon separate negotiations for each system.

New methods were set up in the Railway Labor Act of 1926. "It places primary emphasis on direct collective bargaining and mediation, but also establishes voluntary arbitration and compulsory investigation." This Act was amended in 1934 by an act which established a National Railroad Adjustment Board. By this latter act, also, labor unions were effectively empowered by government. "The 1934 amendments to the Railway Labor Act forbid company unions. The roads must negotiate in good faith with the authorized labor representatives certified by the Board, although agreement is, of course, not compelled. Carriers may not engage in a number of specified labor practices, such as promotion of company unions, yellow-dog contracts, and other hindrances to independent unions."⁶

The tendency of the Federal government's special protection of railroad workers is also indicated by the Emergency Railroad Transportation Act passed in 1933. The Act authorized mergers and consolidations of rail facilities to be overseen by a Federal Coordi-

nator. But workers were to be protected as follows:

The number of employees in the service of a carrier shall not be reduced by reason of any action taken pursuant to the authority of this title below the number as shown by the pay rolls of employees in service during the month of May, 1933... but not more in any one year than 5 per centum...; nor shall any employee in such service be deprived of employment such as he had during said month of May or be in a worse position with respect to his compensation for such employment, by reason of any action taken pursuant to the authority conferred by this title.⁷

The above are examples rather than a full-fledged account of the way the Federal government aided in fastening the incubus of unionism on the railroads. Part of the effort was motivated by the desire to avoid ruinous strikes, but all of it has been undertaken with a politician's eye to the vote of privileged union men. The railroads were the first to receive such government attention. The laws governing railroads, unions, and negotiations between them have been special acts. Other unions generally fall under general acts. The effects of this special status of railroad unions have

⁶ Fainsod, *op. cit.*, pp. 185-86.

⁷ Henry S. Commager, *Documents of American History* (New York: Appleton-Century-Crofts, 1963), p. 271.

been with us longer than the effects of the general legislation. The government has, on the one hand, empowered the unions to act as a monopoly; on the other, it has attempted to restrain them from taking full advantage of the position. The railroads have been caught between the Scylla of monopoly unions and the Charybdis of continual government intervention in negotiations.

States have also passed legislation along lines sought by unions. An example of this is the full-crew laws passed by a number of states. New York State passed such a law in 1913. The situation in 1960 was this:

In its present form, New York's full crew law specifies a minimum number of operating employees on freight trains of more than twenty-five cars, on freights of fewer than twenty-five cars, on passenger trains of more than five cars, on light engines, on fuel-electric engines and on locomotives used in switching operations.

For the most part, the minimum crew specified is larger than crews required by existing contracts between the railroads and employee organizations. Thus trains entering New York from other states are frequently required to stop at border points to pick up extra crewmen.⁸

⁸ Leo Egan, "Rail Crews and Politics," *New York Times*, (January 28, 1960), p. 35.

Other such rules have to do with distance to be traveled by a workman, and such like. Where states have not prescribed crew sizes, they are usually provided for in union contracts.

Stultifying Effects of Government Action

The economic effects of union action empowered by government and of government action supported by unions have been burdensome and stultifying on the railroads. They have hampered the use of personnel in economic ways by the railroads, have concentrated workmen in the least productive undertakings, have denied the railroads the benefits of technology, have fastened antique practices on the roads in perpetuity, and have contributed much to the decline of the railroads and to over-all railroad employment. Some examples will show how this has been done.

Railroads are hampered by rigid work rules in the employment of their personnel. For example, "Where yard service has been maintained road crews may not perform switching for their train, even though no yard crew is on duty at the time. Such a yard crew must be called to do the work; otherwise the road crew may claim an extra day's pay at the yard rate for a few minutes'

work in switching, and the yard crew not called may similarly claim payment." Again, "On some roads a road crew may not double over in taking a train from a yard. Transfer crews may set cars on an industrial siding, but they may not spot them for loading or unloading. A switching crew must be brought up to do that. In most yards switching crews must be called at set hours. If called later, penalty payments accrue. Hence locomotives and crews, called at stated hours, stand idle until business flows in some time later, but during the same trick."⁹

Rail Labor Costs Excessive

Railroad costs for labor have frequently been proportionately higher than other modes of transportation, that is, have accounted for a higher proportion of operating costs. "In 1939 the percentage of pay-roll costs, with taxes and depreciation included in operating costs, was calculated for various types of transportation as follows:

Class I line-haul railways	53.8
Air transportation	40.7
Water carriers	39.0
Motor truck transportation	38.2
Motorbus transportation	35.2
Pipe-line transportation	31.7 ¹⁰

⁹ Marvin L. Fair and Ernest W. Williams, Jr., *Economics of Transportation* (New York: Harper, 1950), pp. 626-67.

¹⁰ *Ibid.*, p. 607.

There are several reasons for these higher costs. One is that railroad workmen frequently work much less than an 8-hour day to get credit for one or before overtime begins. One book estimates that the average crew under average conditions in the freight service could complete its work day in 6¼ hours and that a passenger crew could do so in 4½ hours.¹¹ This is so because of work rules, and it obviously drives the cost of labor upward.

An observer seeing a freight train pulling 125 cars on a long distance haul with only a few crewmen aboard might suppose that railroads were making money hand over fist. After all, this looks as if it would be a much more economical use of personnel than could be matched by any other means of transportation than perhaps barges or pipelines. But such an observer would only be seeing that part of railroad operations that keeps them going despite all else. In point of fact, a considerable portion of the labor costs of railroads is concentrated in the least productive and least remunerative operations. They are employed on freight locals where several men may handle only a few boxcars in the course of a day, on switching and siding operations, on passenger trains, in

¹¹ *Ibid.*, p. 625.

small stations which do little to no business but maintain an agent and sometimes other personnel, on commuter trains which operate only at certain hours, and so on.

Featherbedding Practices

When railroads introduce labor-saving technology they are frequently prevented from reducing labor costs significantly. Labor unions may not oppose the introduction of new equipment, but they do oppose the laying off of workmen, the shifting of them to less remunerative employments, or the reduction of work crews.

Some sorts of services have undoubtedly been priced out of the market by work rules. For example, "The height of absurdity in full crewing appears to have been reached upon a medium-sized railroad when a modified small auto delivery unit was placed on flanged wheels to perform passenger service on a branch line. When a crew of five men was required to man it, its utility for the purpose disappeared and the service was abandoned."¹² I used to wonder why railroads did not widely use one-car self-propelled units to carry passengers on branch lines. They could bring long distance travelers to and from main line stations as well as provide service from villages and small towns to

cities. The reason is now clear. Despite the fact that one man operating such a unit would not have as much to attend to as a city bus driver, the unions would insist that several men be employed in the undertaking.

Decline in Service

The grip of the unions on the railroads has produced a train of results of most doubtful desirability. This grip has contributed to the decline of passenger and freight service, to the removal of the railroads as competitors in the providing of many kinds of services and to certain areas, to the decline of railroad employees, to the cost to the consumer of his use of rail service, to the deterioration of morale of both employees and consumers, and to the decrepit state of many of the rail facilities.

There may be those who suppose that it was enlightened policy for government to maintain an uneasy peace in railroading by empowering unions, by fostering negotiation, and by substituting the intimidation of government for that of unions on occasion. There may be those who suppose that government established monopolies are desirable if the objects sought are in accord with their wishes. Yet it is proper to ask whether those who think in this

¹² *Ibid.*, p. 627.

fashion believe that it was desirable so to hamper, constrain, and limit the railroads that they could no longer effectively offer many of their services and could no longer attract customers in some areas. If this latter was not desirable then the former could not be

enlightened either. The grip of the unions, the grip of government regulators, and the grip of privileged competitors — all under the auspices of government power — have combined to reduce the railroads to their present debilitated state. 

Next: The Future of the Railroads.

The Unplanned Society

IDEAS ON



LIBERTY

MODERN MAN prides himself that he has built [his] civilization as if in doing so he had carried out a plan which he had before formed in his mind. The fact is, of course, that if at any point of the past man had mapped out his future on the basis of the then-existing knowledge and then followed this plan, we would not be where we are. We would not only be much poorer, we would not only be less wise, but we would also be less gentle, less moral; in fact we would still have brutally to fight each other for our very lives. We owe the fact that not only our knowledge has grown, but also our morals have improved — and I think they *have* improved, and especially that the concern for our neighbor has increased — not to anybody planning for such a development, but to the fact that in an essentially free society certain trends have prevailed because they made for a peaceful, orderly, and progressive society.

F. A. HAYEK, from remarks in
What's Past Is Prologue

The Conscience of a Majority

VERY EARLY in the nineteen sixties Barry Goldwater, then an obscure Senator from the small (in population) far western state of Arizona, caught a significant turn in the feelings of the average American. As he puts it in his new book, *The Conscience of a Majority* (Prentice-Hall, \$7.95), the people who were poor in New Deal days had, in the Eisenhower years, amassed enormous private savings and insurance and had "reached an all-time high in putting aside funds for their future life." They were not ready as yet to repudiate the Welfare State, but they were getting uneasy about the many proposed extensions of it that threatened to erode the private insurance dollar. And, in their questioning mood, the people proceeded to make Barry Goldwater's *The Conscience of a Conservative* a best-seller.

If history had gone in a straight line the new "conservatism," which

was in reality a resurgent classical liberalism, would have really made itself felt at the polls in 1964 when Barry Goldwater was the Republican presidential candidate. But a malign fate intervened. Barry tells the story of his own hesitancies, which paralleled the hesitancies of the country, in a revealing early chapter of *The Conscience of a Majority*. He had looked forward to a zestful series of dialogues with President John F. Kennedy on the many issues that made them friendly enemies. When Kennedy was assassinated, however, Barry lost all heart for political campaigning. He accepted the nomination of his party out of a sense of duty to the young people who pressed it on him. But he knew that Lyndon Johnson would never debate fundamentals with him, and he doubted that the country, which was still in a state of shock, was ready for a fight over basic philosophies. The result was a half-hearted campaign

which the popular commentators on TV and in the press interpreted as the final death throes of the conservative movement.

A New Consensus

How wrong those commentators were: in his story of the "revolt of the middle American" who carried on after the star-crossed 1964 defeat, Barry Goldwater shows how the old New Deal consensus broke down. The South, tired of being dragged along in the dirt by a northern and urban Democratic Party that cared only for its votes, lost its sense of shame in voting Republican. The "ethnics" — the poor of the northern cities who had come late to this country from Europe — now had property, as often as not in the more affluent suburbs. The displacement of populations to the "sunbelt" states and to the Pacific Coast gave people scope on the land and a new sense of well-being. As Kevin Phillips phrased it, the old middle class had become enlarged into middle America.

A new consensus was in the making, and Richard Nixon made the most of it. He has not been as pure a man philosophically as Barry Goldwater, but, as a student of power, Nixon knows how much he had to give to the conservatives to maintain his popularity. Barry Goldwater is satisfied that the Nixon victory in 1968 vindicated his

own stand in 1964. He likes what Nixon is doing to wind down the war in Vietnam without welshing on our international commitments; he approves of Nixon's feelings about inflation. This is not to say that Barry Goldwater is the man to give any occupant of the White House a blank check. But he is reasonably certain that the old trust in the "let the government do it" philosophy has had its day.

Along with a sense of vindication, Barry Goldwater has a feeling that he can now speak out on certain subjects without being accused of a sour-grape attitude. He hated what TV and the press did to him in 1964, when they portrayed him as a warmonger and an economic antediluvian, but, knowing that if he said anything he would be labeled a bad loser, he kept quiet about his grievances. It wasn't until Spiro Agnew, an incumbent Vice-President and therefore a success, put TV and the big metropolitan newspapers in their place that Barry Goldwater felt inclined to take off his own wraps. The result is some first-rate inside history of the "media" treatment of the 1964 campaign.

The Voluntary Way

Having paid his respects, mainly sarcastic, to the malfeasances and misfeasances of the "liberals" in 1964, Barry Goldwater turns to the

"shape of the future." He is just as much of a voluntarist as ever, and he is consistent about it in a way that displeases some of his brother conservatives. For example, he wants to let the eighteen-year-olds vote. Since he is against discrimination, he can't see why the eighteen-year-olds should be discriminated against by being disqualified on election day. After all, eighteen-year-olds are liable for income taxes, they can be drafted, they can be made to stand trial as adults, and they can be imprisoned. If they can be taxed they should have representation, if the spirit of 1776 is to be honored.

As for the military draft, Goldwater is against it on moral grounds. The fundamental right of man, he says, is the right to life. Besides, it is wrong to assume that free men won't fight if necessary for their country.

Goldwater is our most consistent Senatorial believer in limited government, and he wants the state to stay out of production. The idea of "nationalizing" industries which do seventy-five per cent of their business with the Pentagon fills him with horror. But he believes the state does have the duty of protecting its citizens, with the police at home and a strong military establishment at the border. He defends the "military-industrial complex," he doesn't regret spending

big money for a "sufficient" number of missiles and for an ABM, he supports the purchase of monster troop transport planes such as the C-5A, and he approves of a diplomacy designed to keep the communists from outflanking the free world at the traditional "hinges" in Southeast Asia, at Suez, and along the approaches to the Panama Canal. This is all consistent with Adam Smith's idea that the provision of safety is a legitimate state function; it separates Barry Goldwater, the libertarian, from the anarchists.

The Quality of Life

Finally, Barry Goldwater is one of our most articulate conservationists. One of his big issues in 1964 was the "quality of life." Just as he was premature in raising the "crime in the streets" issue at the 1964 San Francisco convention, so he was ahead of his time in stressing the pollution issue. He is a real toughie on this, for he approves indictments of big corporations for dumping blast furnace wastes into Lake Michigan and for ruining Lake Erie. He believes in free enterprise, but he also believes in the right of people to live in a clean environment. He likes Nixon because the present Republican Administration is the first to prosecute big pollution offenders.

In *The Conscience of a Majority*

you get the whole Goldwater. The young ought to be for him, for he doesn't object to their "doing their thing" provided it is with due regard for the rights of others. Goldwater likes the young in college; it is their instructors who get the full impact of his wrath for their "irresponsible" teaching, which he thinks is the source of most of our troubles.

► **THE CHALLENGE OF WORLD POVERTY: A World Anti-Poverty Program in Outline** by Gunnar Myrdal (New York: Pantheon Books, 1970, 518 pp., \$8.95).

Reviewed by Henry Hazlitt

ON FEW ECONOMISTS have more honors and praise been lavished than on Gunnar Myrdal. He has held high office in his native Sweden. He has been an official of the United Nations for ten years. Universities, especially in America, have seemed to stumble over each other in heaping honorary degrees upon him. John Fischer of *Harper's* calls him "the only man I can think of who has written two books capable of changing history." Kenneth Boulding thinks he "may very well be the world's top social scientist."

He is surely prolific. The present book, running to more than 500 pages, seems bulky enough;

but it is only a sort of appendix to his three-volume work, *Asian Drama: An Inquiry into the Poverty of Nations*, which ran over 2,000 pages.

Yet in spite of a huge mass of factual reports, and some sound recommendations in special fields — on education in the underdeveloped countries, for example — Myrdal's latest book must be set down on net balance as a costly failure. In the economic field his recommendations are practically always in the direction of less freedom, more state interventionism, and more socialism. Their adoption could only increase and prolong world poverty.

An outstanding example is his repeated insistence on the necessity of radical "land reform" in the underdeveloped countries. What this would involve he never explicitly spells out. At one point (p. 111) he suggests that members of the "landless underclass" should be given "a small plot of land"; at another point (p. 261) he suggests "public ownership and management." What he never explicitly mentions is that either would require confiscation of the land from those who now have it. Even if (improbably) the full market value were paid to previous owners, this would mean imposing a terrific burden of taxation to pay for it — which would

equally depress investment and production—in order to benefit an arbitrarily selected group of “the poor.”

And the results would be exactly the opposite of what Mr. Myrdal expects. The “reform” would greatly reduce agricultural production, not increase it. With all his masses of current “facts,” Mr. Myrdal never once mentions the actual results of the enormous number of “land reforms” in history, even in the twentieth century—in Bolivia and Mexico, for example—where they led to a great decline in agricultural production and an increase in food imports, or in Soviet Russia, where farm collectivization brought on mass famine in which millions perished.

Mr. Myrdal insists that the underdeveloped countries should “help themselves,” but his notion of self-help is always more state socialism. His basic remedy for poverty is the ancient one of ignoring property rights and seizing from the rich to give to the poor—the “remedy” that always in the long run increases poverty. He explicitly repudiates the free market. The troubles of the poor countries have been “*mainly the natural outcome of the market forces, which do not work for equality but tend to increase inequality*” (p. 283, his italics). He

is constantly advocating government “planning”—price controls, interest-rate controls, import controls, and he does not hesitate to recommend that South Asian countries adopt more “*legislation and regulations enforced by compulsion*” (p. 216, his italics).

He is not only against the free market but specifically against free trade. In opposition to established classical theory and all historic experience, he argues that free trade between developed and underdeveloped countries actually hurts the underdeveloped countries. Even technological advance in the developed countries, he argues, hurts the underdeveloped countries. He even advises the underdeveloped countries to restrict “*the replacement of labor by machines*” (p. 455, his italics).

There is no space here to analyze the huge bundle of hoary economic fallacies that Mr. Myrdal is still able to embrace. He does not explicitly attack capitalism, but every major proposal he makes is anticapitalistic. He demands hugely increased foreign aid, given without strings or conditions. But so far from wanting increased voluntary private foreign investment, he deplores it, and implies that the seizures of American private property in Peru, or wherever, were thoroughly justified. He thinks (p. 487): “The United

States should be prepared to tolerate large-scale nationalization of American enterprises." He assumes throughout that the rich are mainly to blame for the poverty of the poor. He blames the lack of sufficient "reforms" in the underdeveloped countries on the obstructive tactics of an "entrenched upper-upper class" and of "reactionaries" in general. The latter seem to include almost everybody who disagrees with him.

The United States is Mr. Myrdal's special villain. As a self-described "social scientist," he never tires of comparing that "overrich country" unfavorably with his native Sweden. It seems we do nearly everything wrong, both at home and abroad, but our worst crime has been to try to defend South Vietnam from a communist takeover. To the "Viet-

namese people," Mr. Myrdal informs us, the war there is "a war of liberation, and more precisely *a fight against military intrusion by a foreign, white, and rich nation*" (p. 433, his italics) — meaning us.

Mr. Myrdal would probably resent it if we called his thinking Marxist. "Marxism," he decides in a footnote, is not a scientific term. But he also boasts in the same footnote that, "from a study of how [Marx] worked, I rather believe that in regard to Latin America he would have reached conclusions not very far from those" reached by Mr. Myrdal himself (p. 518). I shall not contradict him.

There are a few serious publishing defects. It is inexcusable, for example, that a book of 518 pages, crammed with factual references, should have no index. 

The Right of Choice

IDEAS ON



LIBERTY

MAN MUST HAVE THE RIGHT OF CHOICE, even to choose wrong, if he shall ever learn to choose right. The child walks as we unwind the swaddling clothes; the building stands in its full beauty as we remove the scaffolding. Let us beware lest we make gods of the scaffolding; lest by making more intricate the wrappings of law, more strong the rods of coercion, man himself remain feeble and imperfect.

JOSIAH C. WEDGWOOD

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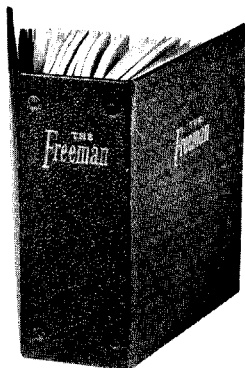
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